

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

☒ Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended January 28, 2023

☐ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number 1-7562

THE GAP, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State of Incorporation)

94-1697231
(I.R.S. Employer Identification No.)

Two Folsom Street
San Francisco, California 94105
(Address of principal executive offices)

Registrant's telephone number, including area code: **(415) 427-0100**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$0.05 par value	GPS	The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes ☐ No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of July 29, 2022 was approximately \$2 billion based upon the last price reported for such date in the NYSE-Composite transactions.

The number of shares of the registrant's common stock outstanding as of March 8, 2023 was 366,211,735.

Documents Incorporated by Reference

Portions of the registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on May 9, 2023 (hereinafter referred to as the "2023 Proxy Statement") are incorporated into Part III.

Special Note on Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. All statements other than those that are purely historical are forward-looking statements. Words such as “expect,” “anticipate,” “believe,” “estimate,” “intend,” “plan,” “project,” and similar expressions also identify forward-looking statements. Forward-looking statements include, but are not limited to, statements regarding the following:

- meeting the closing conditions to transfer the Gap Taiwan operations to Baozun;
 - our agreements with third parties to operate stores and websites selling apparel and related products under our brand names;
 - our integrated loyalty program and the expected benefits therefrom;
 - investing in our business and enhancing the customer experience;
 - strategically registering our trademarks and copyrights;
 - aggressively policing our trademarks and pursuing those who infringe;
 - compliance with United States and foreign laws, rules and regulations;
 - the impact of global economic conditions on our business and other businesses around the world;
 - the impact of COVID-19 on our and our franchisees' operations;
 - initiatives to optimize inventory levels and increase supply chain efficiency and responsiveness;
 - initiatives to improve assortments and increase sell-through;
 - initiatives to enhance in-season responsiveness and reduce our exposure to fashion volatility;
 - our plans to introduce select seasonal product being stored at distribution centers into the market through fiscal 2023, and the corresponding impact on inventory expenditures in future periods;
 - initiatives to drive long-term improvements across our business;
 - our plans to simplify and optimize our operating model and structure;
 - optimizing our marketing spend and rationalizing our technology investments;
 - our plans to continue to reduce the number of Gap and Banana Republic stores in North America;
 - the impact of our Gap France franchisee being placed into receivership on our Consolidated Financial Statements;
 - managing our international partnerships, growing our brands and amplifying our reach;
 - our near term strategic priorities, and our ability to execute against them;
 - the anticipated timing of settlement of purchase obligations and commitments;
 - the ability of our cash flows from operations, current balances of cash and cash equivalents, and debt instruments to support our business operations and liquidity requirements;
 - the payment of our first quarter fiscal 2023 dividend;
 - the impact of recent accounting pronouncements on our Consolidated Financial Statements;
 - recognition of a decrease in unrecognized tax benefits within the next 12 months;
 - recognition of unrealized gains and losses from designated cash flow hedges;
 - recognition of unrecognized share-based compensation expense;
 - the impact of losses due to indemnification obligations;
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- the outcome of proceedings, lawsuits, disputes, and claims, and the impact on our Consolidated Financial Statements; and
- the impact of changes in internal control over financial reporting.

Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause our actual results to differ materially from those in the forward-looking statements. These factors include, without limitation, the following:

- the overall global economic and geopolitical environment, consumer spending patterns and risks associated with the COVID-19 pandemic;
 - the risk that inflationary pressures continue to negatively impact gross margins or that we are unable to pass along price increases;
 - the risk that we or our franchisees may be unsuccessful in gauging apparel trends and changing consumer preferences or responding with sufficient lead time;
 - the risk that we may be unable to manage or protect our inventory effectively and the resulting impact on our gross margins, sales and results of operations;
 - the risk that we fail to manage key executive succession and retention and to continue to attract qualified personnel;
 - engaging in or seeking to engage in strategic transactions, or adjusting our business strategies, all of which is subject to various risks and uncertainties;
 - the risk that we fail to maintain, enhance and protect our brand image and reputation;
 - the highly competitive nature of our business in the United States and internationally;
 - the risk that our investments in customer, digital, and omni-channel shopping initiatives may not deliver the results we anticipate;
 - the risks to our business, including our costs and supply chain, associated with global sourcing and manufacturing;
 - the risks to our reputation or operations associated with importing merchandise from foreign countries, including failure of our vendors to adhere to our Code of Vendor Conduct;
 - the risk of data or other security breaches or vulnerabilities that may result in increased costs, violations of law, significant legal and financial exposure, and a loss of confidence in our security measures;
 - the risk that failures of, or updates or changes to, our IT systems may disrupt our operations;
 - natural disasters, public health crises, political crises, negative global climate patterns, or other catastrophic events;
 - the ongoing conflict between Russia and Ukraine and the impact on global market stability;
 - the risk that our efforts to expand internationally may not be successful;
 - the risk that our franchisees and licensees could impair the value of our brands or fail to make payments for which we are liable;
 - the risk that trade matters could increase the cost or reduce the supply of apparel available to us;
 - the risk of foreign currency exchange rate fluctuations;
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- the risk that comparable sales and margins will experience fluctuations, or that the seasonality of our business will experience changes;
- the risk that we or our franchisees may be unsuccessful in identifying, negotiating, and securing new store locations and renewing, modifying, or terminating leases for existing store locations effectively;
- the adverse effects of climate change on our operations and those of our franchisees, vendors and other business partners;
- the risk that we will not be successful in defending various proceedings, lawsuits, disputes, and claims;
- our failure to comply with applicable laws and regulations and changes in the regulatory or administrative landscape;
- our failure to satisfy regulations and market expectations related to our ESG initiatives;
- reductions in income and cash flow from our credit card arrangement related to our private label and co-branded credit cards;
- the risk that worsening global economic and geopolitical conditions could result in changes to the assumptions and estimates used when preparing the Consolidated Financial Statements;
- the risk that changes in our business structure, our performance or our industry could result in reductions in our pre-tax income or utilization of existing tax carryforwards in future periods, and require additional deferred tax valuation allowances;
- the risk that changes in the geographic mix and level of income or losses, the expected or actual outcome of audits, changes in deferred tax valuation allowances, and new legislation could impact our effective tax rate;
- the risk that our level of indebtedness may impact our ability to operate and expand our business;
- the risk that we and our subsidiaries may be unable to meet our obligations under our indebtedness agreements;
- the risk that changes in our credit profile or deterioration in market conditions may limit our access to the capital markets;
- the risk that the adoption of new accounting pronouncements will impact future results; and
- the risk that we do not repurchase some or all of the shares we anticipate purchasing pursuant to our repurchase program.

Additional information regarding factors that could cause results to differ can be found in this Annual Report on Form 10-K and our other filings with the U.S. Securities and Exchange Commission ("SEC").

Future economic and industry trends that could potentially impact net sales and profitability are difficult to predict. These forward-looking statements are based on information as of March 14, 2023, and we assume no obligation to publicly update or revise our forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized.

THE GAP, INC.
2022 ANNUAL REPORT ON FORM 10-K
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Part I

Item 1. Business.

General

The Gap, Inc. (Gap Inc., the "Company," "we," and "our") is a collection of purpose-led, lifestyle brands offering apparel, accessories, and personal care products for women, men, and children under the Old Navy, Gap, Banana Republic, and Athleta brands.

Gap Inc. is an omni-channel retailer, with sales to customers both in stores and online, through Company-operated and franchise stores, Company-owned websites, and third-party arrangements. As of January 28, 2023, we had Company-operated stores in the United States, Canada, Japan, China, and Taiwan. In fiscal 2022, we signed agreements with a third party, Baozun Inc. ("Baozun"), to operate Gap China and Gap Taiwan ("Gap Greater China") stores and the in-market website as a franchise partner. On January 31, 2023, the Gap China transaction closed with Baozun. The Gap Taiwan operations will continue to operate as usual until regulatory approvals and closing conditions are met.

We have franchise agreements to operate Old Navy, Gap, Banana Republic, and Athleta throughout Asia, Europe, Latin America, the Middle East, and Africa. Under these agreements, third parties operate, or will operate, stores and websites that sell apparel and related products under our brand names.

In addition to operating in the specialty, outlet, online, and franchise channels, we use our omni-channel capabilities to bridge the digital world and physical stores to further enhance the shopping experience for our customers. Our omni-channel services, including curbside pick-up, buy online pick-up in store, order-in-store, find-in-store, and ship-from-store, as well as enhanced mobile-enabled experiences, are tailored uniquely across our collection of brands.

Old Navy. Old Navy is an American value apparel brand that makes current essentials accessible to everyone. The brand celebrates the democracy of style through on-trend, playfully optimistic, affordable, high-quality product, and inclusive size ranges. Old Navy is committed to creating incredible shopping experiences regardless of where, when, and how customers choose to shop, including a fun store experience, a dynamic online channel, and convenient omni-channel capabilities. Old Navy opened its first store in 1994 in the United States and since then has expanded to more than 1,200 Company-operated stores, as well as franchise stores around the world.

Gap. Gap is an authority on modern American style. Founded in San Francisco in 1969, Gap continues to build on its heritage grounded in denim and khakis. Gap is a lifestyle brand that includes adult apparel and accessories, Gap Teen, Gap Kids, babyGap, Gap Maternity, Gap Body, GapFit, and Gap Home collections. In 2022, Gap Home, our licensing partnership with Walmart, continued to scale and offer new categories in the home space including launching a collection for kids. Gap connects with customers online, in Company-operated and franchise retail locations globally, and through licensing partnerships. Gap also serves value-conscious customers with exclusively designed collections for Gap Outlet and Gap Factory Stores.

Banana Republic. Acquired in 1983 as a travel and adventure outfitter, Banana Republic is a global apparel and accessories brand committed to work for a better republic. Designed for people with purpose who share a passion for life, Banana Republic is redefining luxury by using the finest materials with the latest fabric innovations to create timeless, modern, and versatile clothing, eyewear, jewelry, shoes, handbags, and fragrances. Customers can purchase Banana Republic products globally in the brand's specialty stores, factory stores, online, and franchise stores.

Athleta. Athleta is a premium fitness and lifestyle brand creating beautiful, technical, sustainable apparel to inspire a community of active, confident women and girls. Established in 1998 and acquired by Gap Inc. in 2008, Athleta integrates technical features and innovative design across its women's collection to carry her through a life in motion, from yoga, training and sports, to everyday activities and travel. In 2022, Athleta unveiled new product collaborations with athletes and celebrities. Additionally, Athleta continued to open new stores in both the U.S. and Canadian markets.

Since 2018, Athleta has been certified as a benefit corporation ("B Corp"), furthering its commitment to using the business as a force for good to drive social and environmental impact. The Company continues to meet rigorous standards across social and environmental performance, accountability, and transparency. With this accreditation, Gap Inc. is one of the largest publicly-traded retail companies with a B Corp certified subsidiary apparel brand.

We ended fiscal 2022 with 2,685 Company-operated stores and 667 franchise store locations. For more information on the number of stores by brand and region, see the table included in Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of this Form 10-K.

Old Navy, Gap, Banana Republic, and Athleta each have a private label credit card program and a co-branded credit card program through which customers receive benefits. Private label and co-branded credit cards are provided by a third-party financing company, with associated revenue sharing arrangements reflected in Gap Inc. operations. During fiscal 2022, the Company launched a new long-term credit card program with Barclays that replaced our prior credit card program with Synchrony Financial. We also have an integrated loyalty program across the U.S. and Puerto Rico that aims to attract new customers and create enduring relationships by turning customers into lifelong loyalists. We are focused on increasing the lifetime value of our loyalty members through greater personalization, including by leveraging first party data and increasing promotions with targeted content, offers, and experiences. Although each brand expression has a different look and feel, customers can earn and redeem rewards across all of our purpose-led brands. All of our brands issue and redeem gift cards.

Product Development

We design, develop, market, and sell a wide range of apparel, footwear and accessories products reflecting a mix of basics and fashion items based on widely accepted fashion trends, striving to bring product to market quickly and provide unrivaled value to customers. We are committed to pursuing technology and product innovation that supports our sustainability efforts while also delivering great quality products to our customers. Our product teams research, test, and iterate each season to deliver the latest styles in fabrics and silhouettes that are made to last while remaining conscious of the types of materials being sourced and the suppliers they work with. We leverage feedback and purchasing data from our customer database, along with market trend insights, to guide our product and merchandising decision-making.

Marketing and Advertising

We use a variety of marketing and advertising mediums to drive brand health, customer acquisition, and engagement. We leverage our growing customer database and respond to shopping behaviors and needs with personalized content across email, site, and digital media to drive relevance and urgency. Our diversified media mix spans traditional to digital to social media. We focus on productivity of demand generation investments to drive increased effectiveness.

Merchandise Vendors

We purchase private label and non-private label merchandise from over 250 vendors. Our vendors have factories in about 25 countries. Our two largest vendors accounted for approximately 8 percent and 6 percent of the dollar amount of our total fiscal 2022 purchases. Of our merchandise purchased during fiscal 2022, substantially all purchases, by dollar value, were from factories outside the United States. Approximately 30 percent of our fiscal 2022 purchases, by dollar value, were from factories in Vietnam. Approximately 17 percent of our fiscal 2022 purchases, by dollar value, were from factories in Indonesia. Product cost increases or events causing disruption of imports from Vietnam, Indonesia, or other foreign countries, including the imposition of additional import restrictions or taxes, vendors temporarily closing or potentially failing due to political, financial, or regulatory issues, public health crises such as the coronavirus disease ("COVID-19") pandemic, or supply chain disruptions, could have an adverse effect on our operations. Substantially all of our foreign purchases of merchandise are negotiated and paid for in U.S. dollars. For additional information on risks related to our merchandise vendors, see the below sections in Item 1A, Risk Factors, of this Form 10-K.

- "Risks Related to Macroeconomic Conditions—The COVID-19 pandemic has and could continue to adversely affect our business and results of operations,"
- "Risks Related to Human Capital, Inventory and Supply Chain Management—Our business is subject to risks associated with global sourcing and manufacturing,"
- "Risks Related to Human Capital, Inventory and Supply Chain Management—Risks associated with importing merchandise from foreign countries, including failure of our vendors to adhere to our Code of Vendor Conduct, could harm our business,"
- "Risks Related to Operating a Global Business—Our business and results of operations could be adversely affected by natural disasters, public health crises, political crises, negative global climate patterns, or other catastrophic events" and
- "Risks Related to Operating a Global Business—Trade matters may disrupt our supply chain"

Seasonal Business

Our business typically follows a seasonal pattern, with sales peaking during the end-of-year holiday period. Additionally, other macroeconomic conditions such as the uncertainty surrounding global inflationary pressures, the COVID-19 pandemic, and the Russia-Ukraine crisis have had and may continue to have an impact on customer behavior that could result in temporary changes in the seasonality of our business.

Brand Building

Our ability to develop and evolve our existing brands is a key to our success. We believe our distinct brands are among our most important assets. Virtually all aspects of brand development, from product design and distribution to marketing, merchandising and shopping environments, are controlled by Gap Inc. employees. We continue to invest in our business and enhance the customer experience through ongoing supply chain, digital, marketing, and omni-channel initiatives.

Trademarks and Service Marks

We own the material trademarks used in connection with the marketing, distribution and sale of our products, domestically and internationally, where our products are currently sold or manufactured. Our major trademarks include the Old Navy, Gap, Gap Kids, babyGap, Gap Body, GapFit, Gap Teen, Banana Republic, and Athleta trademarks and service marks, and certain other trademarks and service marks. We have obtained and continue to maintain registrations for the aforementioned marks in the United States, Canada, Mexico, the United Kingdom, the European Union, Japan, China and numerous other countries throughout the world. In addition, we own domain names for our primary trademarks and hold several copyright registrations. We intend to continue to strategically register, both domestically and internationally, trademarks and copyrights that we utilize today and those we develop in the future. We will continue to aggressively police our trademarks and pursue those who infringe, both domestically and internationally. We believe the distinctive trademarks we use in connection with our products are important in building our brand image and distinguishing our products from those of others.

Franchising

We have franchise agreements to operate Old Navy, Gap, Banana Republic, and Athleta in a number of countries throughout Asia, Europe, Latin America, the Middle East, and Africa. Under these agreements, third parties operate, or will operate, stores and websites that sell apparel and related products under our brand names. For additional information on risks related to our franchise business, see the sections entitled "Risk Factors—Risks Related to Operating a Global Business—Our efforts to expand internationally may not be successful" and "Risk Factors—Risks Related to Operating a Global Business—Our franchise and licensing businesses are subject to certain risks not directly within our control that could impair the value of our brands" in Item 1A, Risk Factors, of this Form 10-K.

Inventory

The nature of the retail business requires us to carry a significant amount of inventory, especially prior to the peak holiday selling season when we, along with other retailers, generally build up inventory levels. We maintain a large part of our inventory in distribution centers. We review our inventory levels in order to identify slow-moving merchandise and broken assortments (items no longer in stock in a sufficient range of sizes or colors) and we primarily use promotions and markdowns to clear merchandise. For additional information on risks related to our inventory, see the below sections in Item 1A, Risk Factors, of this Form 10-K.

- "Risks Related to Our Brand Relevance and Brand Execution—We must successfully gauge apparel trends and changing consumer preferences to succeed,"
- "Risks Related to Human Capital, Inventory and Supply Chain Management—If we are unable to manage our inventory effectively, our results of operations could be adversely affected" and
- "Risks Related to Operating a Global Business—Our business and results of operations could be adversely affected by natural disasters, public health crises, political crises, negative global climate patterns, or other catastrophic events"

Competitors

The global apparel retail industry is highly competitive. We compete with local, national, and global apparel retailers. For additional information on risks related to competition, see the section entitled "Risk Factors—Risks Related to Competition—Our business is highly competitive" in Item 1A, Risk Factors, of this Form 10-K.

Human Capital

As of January 28, 2023, we had a workforce of approximately 95,000 employees. We also hire seasonal employees, primarily during the peak holiday selling season. As of January 28, 2023, approximately 81 percent of employees worked in retail locations, approximately 9 percent of employees worked in headquarters locations, and approximately 10 percent of employees worked in distribution centers. In addition, as of that date, approximately 81 percent of employees were located in the U.S. and approximately 19 percent of employees were located outside of the U.S., with a majority of those non-U.S. based employees located in Canada and Asia.

We know that in order to remain competitive in the retail apparel industry, we must attract, develop, and retain skilled employees in our design, merchandising, supply chain, marketing, information technology, and other functions, as well as in our stores and distribution centers. Competition for such personnel is intense. Our success is dependent to a significant degree on the continued contributions of our employees. We understand the importance of human capital and prioritize building talent; diversity and inclusion; ensuring pay equity; gathering and actioning on employee feedback; and supporting the health, wellness, and safety of our employees, customers, and communities.

Building Talent. We invest in our employees through accessible resources and structured training programs that offer opportunities for development. Currently, we offer functional and technical training to our employees in our stores, distribution centers, and headquarters. We have historically created, managed, or offered a collection of development courses for employees that cover a range of subjects.

Diversity and Inclusion. We offer our employees extensive programs and resource groups that foster diversity and inclusion. In addition, we have established nine Company-wide commitments to foster racial equality. Information about our commitments is available on our website (www.gapinc.com) under "Values, Equality & Belonging, Our Commitments." We are also committed to greater transparency and have publicly reported our global employee gender data and overall U.S. race and ethnicity data since 2007, and since 2021 we have shared additional data on how our U.S. employees identify their race and ethnicity at stores, distribution centers and headquarters. In fiscal 2022, we also published our second dedicated Equality & Belonging Report to talk openly about our progress and the lessons we are learning along the way.

Pay Equity. Since 2014, we have conducted annual reviews of our pay data by gender, and in 2020 we began using an external firm to assess our pay data by race for all U.S. employees.

Employee Feedback. We value our employees' feedback and use opinion surveys as a critical component of our ongoing listening strategy. We use these insights to understand what is important to our employees and to determine where we should focus our investments and build new programs and strategies that help us create a thriving, productive work environment. We have modernized our approach to soliciting employee feedback on topical issues to capture data so we can understand and respond faster to employees' needs. We also collect feedback about our employees' work experience during performance reviews.

Health, Wellness and Safety. Protecting the health and safety of our employees, customers and communities is a top priority. Our store and distribution center employees are trained on safe work practices and learn procedural knowledge through on-the-job training programs that are aligned to industry and Occupational Safety & Health standards. Our internal Safety and Claims teams analyze risks and collaborate with operational leaders to understand and adjust business practices to align with emerging trends, and our Internal Audit team gauges procedural compliance at distribution centers and stores. We continue to monitor all official COVID-19 pandemic recommendations from the Occupational Safety and Health Administration and the Center for Disease Control and Prevention, local government mandates and current COVID-19 data trends to make adjustments to our policies.

Human Capital Oversight. The Board of Directors (the "Board") and its Compensation and Management Development Committee oversee human capital issues. The Compensation and Management Development Committee has formal oversight over the Company's policies and strategies relating to its human capital management function, including policies, processes and strategies relating to employee recruitment, retention, appraisal and development; talent management; workplace culture and employee engagement; workforce diversity, equity and inclusion and any goals related thereto; and the Company's general approach to broad-based compensation, benefits, workplace and employment practices, as outlined in its charter. The Committee regularly receives reports on talent, succession planning, and diversity and inclusion. On a quarterly basis, the Committee receives a talent dashboard with key metrics, including employee survey feedback and turnover information. The Committee engages periodically on compensation program design for all employees at all levels.

For additional information on risks related to our human capital management, see the section entitled "Risk Factors—Risks Related to Human Capital, Inventory and Supply Chain Management—Our failure to manage key executive succession and retention and to continue to attract qualified personnel could adversely affect our results of operations" in Item 1A, Risk Factors, of this Form 10-K.

Government Regulation

As a company with global operations, we are subject to the laws of the United States and multiple foreign jurisdictions in which we operate and the rules and regulations of various governing bodies, which may differ among jurisdictions. Compliance with these laws, rules and regulations has not had, and is not expected to have, a material effect on our capital expenditures, results of operations, or competitive position as compared to prior periods.

Available Information

We make available on our website (www.gapinc.com) under “Investors, Financial Information, SEC Filings” our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports as soon as reasonably practicable after we electronically file or furnish them to the SEC.

Our Board of Directors Committee Charters (Audit and Finance, Compensation and Management Development, and Governance and Sustainability Committees) and Corporate Governance Guidelines are also available on our website under “Investors, Governance.” Our Code of Business Conduct is available on our website under “Investors, Corporate Compliance, Code of Business Conduct.” Any waivers to the Code of Business Conduct will be publicly disclosed.

Environmental, Social, Governance ("ESG")

Information about our ESG efforts is available on our website (www.gapinc.com) under "Values, Sustainability, ESG Resources" which provides information on our public commitments, policies, social and environmental programs, sustainability strategy and ESG data. Also included are downloads of our reporting standards and frameworks: Task Force on Climate-Related Financial Disclosures (TCFD), Sustainability Accounting Standards Board (SASB) and Global Reporting Index (GRI), and our Annual ESG reports.

The information contained in, or referred to, on our website is not deemed to be incorporated into this Annual Report unless otherwise expressly noted.

Information about our Executive Officers

The following are our executive officers:

Name, Age, Position, and Principal Occupation:

Horacio Barbeito, 52, President and Chief Executive Officer, Old Navy effective August 2022; President and CEO, Walmart Canada from November 2019 to July 2022; President and CEO, Walmart Argentina and Chile from February 2015 to November 2019; and President and CEO, Walmart Argentina from February 2012 to February 2015.

Mark Breitbard, 54, President and Chief Executive Officer, Gap Brand effective September 2020; President and Chief Executive Officer, Specialty Brands from March 2020 to September 2020; President and Chief Executive Officer, Banana Republic from May 2017 to March 2020; Chief Executive Officer, The Gymboree Corporation from January 2013 to April 2017; President, Gap North America from 2012 to January 2013; Executive Vice President, Gap North America Merchandising from 2011 to 2012; and Executive Vice President, GapKids and babyGap from 2010 to 2011.

Sally Gilligan, 50, Executive Vice President, Chief Supply Chain, Strategy and Transformation Officer effective March 2023; Chief Growth Transformation Officer from April 2021 to March 2023; Chief Information Officer & Head of Strategy from April 2018 to March 2021; and Senior Vice President, Product Operations and Supply Chain from 2015 to April 2018.

Julie Gruber, 57, Executive Vice President, Chief Legal and Compliance Officer, and Corporate Secretary effective March 2020; Executive Vice President, Chief Legal, Compliance and Sustainability Officer, and Corporate Secretary from March 2020 to May 2021; Executive Vice President, Global General Counsel, Corporate Secretary and Chief Compliance Officer from February 2016 to March 2020; Senior Vice President and General Counsel from March 2015 to February 2016; Vice President and Deputy General Counsel from 2007 to March 2015; and Associate General Counsel from 2003 to 2007.

Bob L. Martin, 74, Interim Chief Executive Officer effective July 2022 and Executive Chair of the Board effective March 2020; Operating Partner, Stephens Group, Inc. since 2003; Principal (part-time), Mcon Management Services, Ltd. since 2020 and Chief Executive Officer (part-time), Mcon Management Services, Ltd. from 2002 to 2020; independent consultant from 1999 to 2002; and President and Chief Executive Officer, Walmart International, a division of Walmart Stores, Inc., from 1984 to 1999.

Katrina O'Connell, 53, Executive Vice President and Chief Financial Officer effective March 2020; Chief Financial Officer and Senior Vice President of Strategy & Innovation, Old Navy from January 2017 to March 2020; and Chief Financial Officer and Senior Vice President of Strategy, Banana Republic from March 2015 to January 2017. Ms. O'Connell has previously held various roles at the Company focused on both financial budgeting and forecasting for the Company's portfolio of brands, as well as roles in supply chain, IT, treasury and investor relations.

Sheila Peters, 70, Executive Vice President and Chief People Officer effective March 2020; Senior Vice President, Human Resources, Talent and Communications from October 2016 to March 2020; Senior Vice President, Global Human Resources and Communications from February 2013 to October 2016; and Senior Vice President, Human Resources from July 2011 to February 2013.

Sandra Stangl, 54, President and Chief Executive Officer, Banana Republic effective December 2020; Co-Founder and Chief Merchant, MINE (Pearl Design Co.) from February 2019 to November 2020; Co-President, Chief Merchandising and Business Development Officer, Restoration Hardware, Inc. from December 2017 to August 2018; Co-President, New Business Development, Restoration Hardware, Inc. from May 2017 to December 2017; and President, Pottery Barn Kids and Pottery Barn Teen, Williams-Sonoma, Inc. from 2013 to January 2017.

Item 1A. Risk Factors.

Our past performance may not be a reliable indicator of future performance because actual future results and trends may differ materially depending on a variety of factors, including but not limited to the risks and uncertainties discussed below and in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of this Form 10-K and “Quantitative and Qualitative Disclosures About Market Risk” in Part II, Item 7A of this Form 10-K. In addition, historical trends should not be used to anticipate results or trends in future periods. The occurrence of any of the following risks or additional risks and uncertainties not presently known to us or that we currently believe to be immaterial could materially and adversely affect our business, financial condition and results of operations. In such case, the market price of our common stock could decline.

Risks Related to Macroeconomic Conditions

Global economic conditions have and will likely continue to adversely affect our business, financial condition and results of operations.

Our business is affected by global economic conditions and the related impact on consumer spending worldwide. Global economic conditions have impacted, and are likely to continue to impact, our business and other businesses around the world. Inflation, rising interest rates, rising energy and commodity prices and other macroeconomic pressures have led to recession fears and are creating a complex and challenging retail environment as customers reduce their discretionary spending. In particular, inflationary pressures negatively impacted our gross margins in fiscal 2022 due to commodity price increases. If inflationary pressures continue, and if we are unable to pass along price increases, our sales and results of operations will be negatively impacted in fiscal 2023.

Some of the factors that may influence consumer spending patterns include high levels of unemployment, pandemics, extreme weather conditions and natural disasters, higher consumer debt levels, inflationary pressures, global geopolitical instability (including the ongoing conflict between Russia and Ukraine), reductions in net worth based on market declines and uncertainty, home foreclosures and reductions in home values, fluctuating interest and foreign currency rates and credit availability, government austerity measures, fluctuating fuel and other energy costs, fluctuating commodity prices, and general uncertainty regarding the overall future economic environment. Historically, consumer purchases of discretionary items, including our merchandise, generally decline during recessionary periods when disposable income is lower or during other periods of economic instability or uncertainty.

Deteriorating economic conditions or geopolitical instability in any of the regions in which we and our franchisees sell our products could reduce consumer confidence and adversely impact consumer spending patterns, and thereby could adversely affect our sales and results of operations, and could also result in changes to the assumptions and estimates used when preparing our Consolidated Financial Statements. Examples include, but are not limited to, assumptions and estimates used for inventory valuation, income taxes and valuation allowances, sales return and bad debt allowances, and the impairment of long-lived assets. In challenging and uncertain economic environments such as the current one, we cannot predict whether or when such circumstances may improve or worsen, or what impact, if any, such circumstances could have on our business, financial condition and results of operations, or on the price of our common stock.

The COVID-19 pandemic has and could continue to adversely affect our business and results of operations.

The COVID-19 pandemic has negatively impacted the global economy, disrupted consumer spending and global supply chains, and created significant volatility and disruption of financial markets. The COVID-19 pandemic has adversely affected our business and results of operations and this adverse effect could continue.

At the peak of the COVID-19 outbreak, we temporarily closed a significant number of our stores globally and furloughed the majority of our store teams. While we have since reopened our stores, we expect that certain parts of our operations will continue to be impacted by the continuing effects of COVID-19, and we and our franchisees may face new store closure requirements and other operational restrictions with respect to some or all of our physical locations for prolonged periods if the pandemic is not fully contained.

The COVID-19 pandemic also significantly impacted our supply chain and may do so again in the future if the factories that manufacture our products, the distribution centers where we manage our inventory, or the operations of our logistics and other service providers are disrupted, temporarily closed or experience worker shortages. Vessel, container and other transportation shortages, factory closures, labor shortages and port congestion globally have in the past delayed and could in the future delay inventory orders and, in turn, deliveries to our and our franchisees' stores and distribution centers. These supply chain and logistics disruptions have impacted our inventory levels and sales in the past, and could impact our inventory levels and sales in future periods.

As a result of the COVID-19 pandemic, we also closed many of our corporate offices and other facilities, including our corporate headquarters in San Francisco. Although we have since reopened our corporate offices and other facilities, we may face future closure requirements and other operational restrictions if the pandemic is not contained. These policies may also negatively impact productivity and cause other disruptions to our business.

Risks Related to Our Brand Relevance and Brand Execution

We must successfully gauge apparel trends and changing consumer preferences to succeed.

Our success is largely dependent upon our ability to gauge the tastes of our customers and to provide merchandise that satisfies customer demand in a timely manner. However, lead times for many of our design and purchasing decisions may make it more difficult for us to respond rapidly to new or changing apparel trends or consumer acceptance of our products. Transportation shortages, factory closures, labor shortages, port congestion and other supply chain disruptions may lead to prolonged delays in receiving inventory. The global apparel retail business fluctuates according to changes in consumer preferences, dictated in part by apparel trends and season. To the extent we misjudge the market for our merchandise or the products suitable for local markets, or fail to execute trends and deliver products to the market as timely as our competitors, our sales will be adversely affected, and the markdowns required to move the resulting excess inventory will adversely affect our margins and results of operations.

We must maintain our reputation and brand image.

Our brands have wide recognition, and our success has been due in large part to our ability to maintain, enhance and protect our brand image and reputation and our customers' connection to our brands. Our continued success depends in part on our ability to adapt to a rapidly changing media environment, including our increasing reliance on social media and online dissemination of advertising campaigns. Even if we react appropriately to negative posts or comments about us and/or our brands on social media and online, our customers' perception of our brand image and our reputation could be negatively impacted. Customer sentiment could also be shaped by our partnerships with artists, athletes and other public figures. Failure to maintain, enhance and protect our brand image could adversely affect our business and results of operations.

Risks Related to Competition

Our business is highly competitive.

The global apparel retail industry is highly competitive. We and our franchisees compete with local, national, and global department stores, specialty and discount store chains, independent retail stores, and online businesses that market similar lines of merchandise. We face a variety of competitive challenges in an increasingly complex and fast-paced environment, including:

- anticipating and quickly responding to changing apparel trends and customer demands;
- attracting customer traffic both in stores and online;

- competitively pricing our products and achieving customer perception of value;
- maintaining favorable brand recognition and effectively marketing our products to customers in several diverse market segments and geographic locations;
- anticipating and responding to changing customer shopping preferences and practices, including the increasing shift to digital brand engagement, social media communication, and online shopping;
- developing innovative, high-quality products in sizes, colors, and styles that appeal to customers of varying demographics and tastes;
- purchasing and stocking merchandise to match seasonal weather patterns, and our ability to react to shifts in weather that impact consumer demand;
- sourcing and allocating merchandise efficiently; and
- improving the effectiveness and efficiency of our processes in order to deliver cost savings to fund growth.

If we or our franchisees are not able to respond effectively to competitive pressures, changes in retail markets or customer expectations in the United States or internationally, our results of operations would be adversely affected.

Risks Related to Strategic Transactions and Investments

We may engage in or seek to engage in strategic transactions, such as acquisitions, divestitures and other dispositions, or adjust our business strategies, all of which are subject to various risks and uncertainties, which could disrupt or adversely affect our business.

We may engage in or seek to engage in strategic transactions, such as acquisitions, divestitures or other dispositions, which we may not be able to complete on anticipated terms or time frames or at all, or which may not generate some or all of the strategic, financial, operational or other benefits we expect to realize from such transactions on such anticipated time frames or at all. In addition, these transactions may be complex in nature, and unanticipated developments or changes, including changes in law, the macroeconomic environment, market conditions, the retail industry or political conditions may affect our ability to complete such transactions. In addition, the process of completing these transactions may be time-consuming and involve considerable costs and expenses, which may be significantly higher than what we anticipate and may not yield a benefit if the transactions are not completed successfully. Executing these transactions may require significant time and attention from our senior management and employees, which could disrupt our ongoing business and adversely affect our results of operations. We may also experience increased difficulties in attracting, retaining and motivating employees and/or attracting and retaining customers during the pendency or following the completion of any of these transactions, which could harm our business.

In 2021, we reached agreements to transfer our European business to a franchise model, and in 2022 we reached agreements to transition our Mexico and Greater China businesses to a franchise model. In 2021, we also divested our Janie and Jack and Intermix brands and acquired two technology companies. We incurred costs and expenses in connection with these transactions and may incur such costs and expenses in connection with future strategic reviews, which may require significant attention from our senior management and employees. Executing any transactions resulting from future strategic reviews will be time-consuming, will involve additional costs and expenses, which may be significant, and may result in difficulties attracting, retaining and motivating employees, which could harm our business and adversely affect our results of operations.

We have adjusted and may further adjust our business strategies to meet changes in our business environment. For example, in 2022 we took steps to reduce open and existing corporate roles, renegotiate our advertising agency contracts, reduce technology operating costs, and rationalize digital investments. Our new organization and strategies could be less successful than our previous organizational structure and strategies, are subject to execution risk, and may not produce the anticipated benefits.

Our investments in customer, digital, and omni-channel shopping initiatives may not deliver the results we anticipate.

One of our strategic priorities is to further develop an omni-channel shopping experience for our customers through the integration of our store and digital shopping channels. Our omni-channel initiatives include cross-channel logistics optimization and exploring additional ways to develop an omni-channel shopping experience, including further digital integration and customer personalization. These initiatives involve significant investments in information technology ("IT") systems, data science and artificial intelligence initiatives, and significant operational changes. Our competitors are also investing in omni-channel initiatives, some of which may be more successful than our initiatives. If the implementation of our customer, digital, and omni-channel initiatives is not successful, or we do not realize the return on our investments in these initiatives that we anticipate, our results of operations would be adversely affected.

Risks Related to Human Capital, Inventory and Supply Chain Management

If we are unable to manage or protect our inventory effectively, our results of operations could be adversely affected.

Fluctuations in the global apparel retail markets impact the levels of inventory owned by apparel retailers. The nature of the global apparel retail business requires us to carry a significant amount of inventory, especially prior to the peak holiday selling season when we build up our inventory levels. Merchandise usually must be ordered well in advance of the season and frequently before apparel trends are confirmed by customer purchases. We must enter into contracts for the purchase and manufacture of merchandise long before the applicable selling season, and transportation shortages, factory closures, labor shortages, port congestion and other supply chain disruptions may lead to prolonged delays in receiving inventory. As a result, we are vulnerable to demand and pricing shifts and to suboptimal selection and timing of merchandise purchases. We have not always predicted our customers' preferences and acceptance levels of our trend items with accuracy. For example, in 2022, certain product did not meet consumer preferences resulting in higher levels of promotional activity and lower-than-planned gross margins and, in some cases, we were required to take significant impairment charges on unproductive inventory. If sales do not meet expectations, including due to the impact of current macroeconomic conditions on consumer demand, too much inventory may cause excessive markdowns and, therefore, lower-than-planned gross margins. As a result, we may also be required to take significant impairment charges on delayed or unproductive inventory.

Conversely, if we underestimate or are unable to satisfy consumer demand for our products, we may experience inventory shortages, which could result in lower than anticipated sales, delayed shipments to customers and negative impacts on consumer relationships and brand loyalty, which could adversely affect our results of operations.

We have key strategic initiatives designed to optimize our inventory levels and increase the efficiency and responsiveness of our supply chain, including vendor fabric platforming, product demand testing, and in-season rapid response to demand. We are also developing additional capabilities to analyze customer behavior and demand, which we believe will allow us to better localize assortment and improve store-level allocations, such as size allocation, to further tailor our assortments to customer needs and increase sell-through. Further, we are leveraging technology and data science to digitize product creation, integrate with our consolidated vendor base, and further optimize our product-to-market processes and supply chain which we anticipate will enhance our in-season responsiveness and reduce our exposure to fashion volatility. These initiatives and additional capabilities involve significant changes to our inventory management systems and processes. If we are unable to implement these initiatives and integrate these additional capabilities successfully, we may not realize the return on our investments that we anticipate, and our results of operations could be adversely affected.

Risk of loss or theft of assets, including inventory shrinkage, is inherent in the retail business. Loss may be caused by error or misconduct of employees, customers, vendors or other third parties including through organized retail crime and professional theft. While some level of inventory shrinkage is unavoidable, if we were to experience higher rates of inventory shrinkage, or if we were unable to effectively reduce the impact of loss or theft of assets, our results of operations could be affected adversely.

Our failure to manage key executive succession and retention and to continue to attract qualified personnel could adversely affect our results of operations.

The loss of one or more of our key personnel or the inability to effectively identify a suitable successor to a key role could adversely affect our business. We made significant changes to our executive leadership team in recent years and are currently searching for a non-interim CEO. The failure to successfully transition and assimilate key employees, including our new CEO, the effectiveness of our leaders, and any further transition, could adversely affect our results of operations.

In addition, our business and future success depends in part on our ability to attract and retain key personnel in our design, merchandising, sourcing, marketing, and other functions. In addition, executing our strategic initiatives, including our technology and supply chain initiatives, has required and may require in the future that we hire and/or develop employees with appropriate and specialized experience. We must also attract, develop, and retain a sufficient number of qualified field and distribution center personnel. Competition for talent is intense and the turnover rate in the retail industry is generally high. Furthermore, we have experienced a shortage of labor for field and distribution center positions, and we cannot be sure that we will be able to attract and retain a sufficient number of qualified personnel for these and other positions in future periods. Our ability to meet our labor needs while controlling costs is subject to external factors such as unemployment levels, prevailing wage rates and competitive wage pressures, minimum wage legislation, and overtime and paid leave regulations. Additionally, changes to our office environments and our requirements and/or expectations about when or how often certain employees work on-site or remotely may not meet the expectations of our employees. As businesses increasingly operate remotely, traditional geographic competition for talent may change in ways that we cannot presently predict. If our employment proposition is not perceived as favorable compared to other companies, it could negatively impact our ability to attract and retain our employees. If we are unable to retain, attract, and motivate talented employees with the appropriate skill sets, or if changes to our organizational structure or business model adversely affect morale or retention, we may not achieve our objectives and our results of operations could be adversely impacted.

Our business is subject to risks associated with global sourcing and manufacturing.

Independent third parties manufacture all of our products for us. As a result, we are directly impacted by increases in the cost of those products.

If we experience significant increases in demand or need to replace an existing vendor, there can be no assurance that additional manufacturing capacity will be available when required on terms that are acceptable to us or that any vendor would allocate sufficient capacity to us to meet our requirements. In addition, for any new manufacturing source, we may encounter delays in production and added costs as a result of the time it takes to train our vendors in our methods, products, quality control standards, and environmental, labor, health, and safety standards. Moreover, in the event of a significant disruption in the supply of the fabrics or raw materials used by our vendors in the manufacture of our products, our vendors might not be able to locate alternative suppliers of materials of comparable quality at an acceptable price. Any delays, interruptions, or increased costs in the manufacture of our products could impact our ability to source product and result in lower than anticipated sales.

A large portion of our global sourcing comes from a few specific countries. For example, in fiscal 2022, approximately 30 percent and 17 percent of our merchandise, by dollar value, was purchased from factories in Vietnam and Indonesia, respectively. Delays in production and added costs in Vietnam or Indonesia have in the past adversely affected and in the future could adversely affect our results of operations.

Because independent vendors manufacture virtually all of our products outside of our principal sales markets, third parties must transport our products over large geographic distances. Increases in transportation costs and/or delays in the shipment or delivery of our products due to the availability of transportation, work stoppages, port strikes, port and infrastructure congestion, public health emergencies, social unrest, changes in local economic conditions, political upheavals, or other factors, and costs and delays associated with transitioning between vendors, could adversely affect our results of operations. Operating or manufacturing delays, transportation delays, or unexpected demand for our products may require us to use faster, but more expensive, transportation methods such as air freight, which have in the past adversely affected and in the future could adversely affect our gross margins. In addition, the cost of fuel is a significant component of transportation costs, so increases in the price of petroleum products (including due to inflationary pressures, political instability, and/or regulation of energy inputs and greenhouse gas emissions) could adversely affect our gross margins.

If our vendors, or any raw material suppliers on which our vendors rely, suffer prolonged manufacturing or transportation disruptions due to public health conditions or other unforeseen events, our ability to source product could be adversely impacted which would adversely affect our sales and results of operations.

Risks associated with importing merchandise from foreign countries, including failure of our vendors to adhere to our Code of Vendor Conduct, could harm our business.

We purchase merchandise from third-party vendors in many different countries, and we require those vendors to adhere to a Code of Vendor Conduct, which includes anti-corruption, environmental, labor, health, and safety standards. From time to time, our vendors and their suppliers may not be in compliance with these standards or applicable local laws. Although we have implemented policies and procedures to facilitate our compliance with laws and regulations relating to doing business in foreign markets and importing merchandise from and into various countries, there can be no assurance that our vendors and their suppliers and other third parties with whom we do business will not violate such laws and regulations or our policies. Significant or continuing noncompliance with such standards and laws by one or more vendors, suppliers or other third parties could subject us to liability, and could adversely affect our reputation, business and results of operations.

Risks Related to Data Privacy and Cybersecurity

We are subject to data and security risks, which could adversely affect our results of operations and consumer confidence in our security measures.

As part of our normal operations, we receive and maintain confidential, proprietary, and personally identifiable information, including credit card information, and information about our customers, our employees, job applicants, and other third parties. Our business employs systems and websites that allow for the secure storage and transmission of this information. However, despite our safeguards and security processes and protections, security breaches and vulnerabilities could expose us to a risk of loss or misuse of this information, litigation, and potential liability. The retail industry, in particular, has been the target of many recent cyber-attacks. We may not have the resources to anticipate or prevent rapidly evolving types of cyber-attacks, such as phishing and ransomware attacks, which have become particularly prevalent. While we train our employees to identify these and other security threats as part of our security efforts, this training cannot be completely effective. Attacks may be targeted at us, our vendors or customers, or others who have entrusted us with personal or confidential information. Although we strive to take appropriate measures to safeguard our information security and privacy environment from security breaches and vulnerabilities, we could still expose our customers and our business to risk.

Actual or anticipated attacks may disrupt or impair our technology capabilities, and may cause us to incur costs, including costs to deploy additional personnel and protection technologies, train employees, and engage third-party experts and consultants. Advances in computer capabilities, new technological discoveries, or other developments may result in the technology used by us to protect transaction or other data being breached or compromised. Measures we implement to protect against cyberattacks and address vulnerabilities may also have the potential to impact our customers' shopping experience or decrease activity on our websites by making them more difficult to use. Data and security breaches can also occur as a result of non-technical issues, including intentional or inadvertent breaches by our employees or by persons with whom we have commercial relationships that result in the unauthorized release of personal or confidential information.

The global regulatory environment surrounding information security, cybersecurity, and data privacy is increasingly demanding, and we are required to comply with new and constantly evolving laws, such as the European Union's General Data Protection Regulation (GDPR), the California Consumer Privacy Act, the California Privacy Rights Act and the Virginia Consumer Data Protection Act, each of which gives customers the right to control how their personal information is collected, used and retained. Our failure to comply with these and other data privacy laws or to secure personal or confidential information could result in significant legal and financial exposure, and a loss of consumer confidence in our security measures, which could adversely affect our results of operations and our reputation.

Failures of, or updates or changes to, our IT systems may disrupt operations.

We maintain a complex technology platform consisting of both legacy and modern systems, and we also increasingly rely on third party providers for public cloud infrastructure that powers our e-commerce platform and other systems. Our owned and operated systems require continual maintenance, upgrades and changes, some of which are significant. Upgrades may involve replacing existing systems with successor systems, making changes to existing systems, or cost-effectively acquiring new systems with new functionality. We are aware of the inherent risks associated with maintaining and replacing these systems, including accurately capturing data and addressing system disruptions, and believe we are taking appropriate steps to mitigate these risks through testing, training, and staging implementation, as well as ensuring appropriate commercial contracts are in place with third party vendors supplying or supporting our IT initiatives. However, there can be no assurance that we will successfully maintain or launch these systems as planned or that they will be implemented without disruptions to our operations. IT system disruptions or failures, if not anticipated and appropriately mitigated, or failure to successfully implement new or upgraded systems, could disrupt our operations and adversely affect our results of operations. While the uptime, performance, and security of our third party public cloud infrastructure providers are generally equal to or better than our own systems, as we continue to move to their platforms, our reliance on third parties means that any downtime or security issues they experience poses a greater risk of a single point of failure. Any failure by our third party providers could disrupt our operations and adversely affect our results of operations.

Risks Related to Operating a Global Business

Our business and results of operations could be adversely affected by natural disasters, public health crises, political crises, negative global climate patterns, or other catastrophic events.

Natural disasters, such as hurricanes, tornadoes, floods, earthquakes, wildfires, and other extreme weather conditions; unforeseen public health crises, such as pandemics and epidemics; political crises, such as terrorist attacks, war, labor unrest, and other political instability; negative global climate patterns, especially in water stressed regions; or other catastrophic events or disasters occurring in or impacting the areas in which our stores, distribution centers, corporate offices or our vendors' manufacturing facilities are located, whether occurring in the United States or internationally, could disrupt our, our franchisees' and our vendors' operations. While we consider these types of catastrophic events as part of our disaster recovery and business continuity planning, our planning may not be sufficient in all instances.

In particular, these types of events could impact our supply chain from or to the impacted region and could impact our ability or the ability of our franchisees or other third parties to operate our stores or websites. These types of events could also negatively impact consumer spending in the impacted regions or globally, depending upon the severity. Disasters occurring at our vendors' manufacturing facilities could impact our reputation and our customers' perception of our brands. To the extent any of these events occur, our business and results of operations could be adversely affected.

The ongoing conflict between Russia and Ukraine has caused and continues to cause instability and disruption in global markets. In February 2022, in response to the conflict, the United States and other North Atlantic Treaty Organization member states, as well as non-member states, announced targeted economic sanctions on Russia, including certain Russian citizens and enterprises, and the continuation of the conflict may trigger additional economic and other sanctions. The potential impact of the conflict and any resulting bans, sanctions and boycotts on our business is uncertain at the current time due to the fluid nature of the conflict as it is unfolding in real-time. The potential impacts could include supply chain and logistics disruptions, volatility in foreign exchange rates and interest rates, inflationary pressures on raw materials and energy and heightened cybersecurity threats. We do not and cannot know if the conflict could escalate and result in broader economic and security concerns which could adversely affect our business, financial condition or results of operations.

Our efforts to expand internationally may not be successful.

Our current business strategies include pursuing selective international expansion in a number of countries around the world through a number of channels. This includes our franchisees opening additional stores internationally. We have limited experience operating or franchising in some of these locations. In many of these locations, we face major established competitors. In addition, in many of these locations, the real estate, employment and labor, transportation and logistics, and other operating requirements differ dramatically from those in the places where we have more experience. Consumer tastes and trends may differ in these locations and, as a result, the sales of our products may not be successful or result in the margins we anticipate. If our international expansion plans are unsuccessful or do not deliver an appropriate return on our investments, our results of operations could be adversely affected.

Our franchise and licensing businesses are subject to certain risks not directly within our control that could impair the value of our brands.

We have entered into franchise agreements to operate stores and websites in many countries around the world. Under these agreements, third parties operate, or will operate, stores and websites that sell apparel and related products under our brand names. We have also entered into licensing agreements to sell products using our brand names. The effect of these arrangements on our business and results of operations is uncertain and will depend upon various factors, including the demand for our products in international markets, the demand for new product categories and our ability to successfully identify appropriate third parties to act as franchisees, licensees, distributors, or in a similar capacity. In addition, certain aspects of these arrangements are not directly within our control, such as franchisee and licensee financial stability and the ability of these third parties to meet their projections regarding store locations, store openings, and sales. Additionally, certain of our franchisees have been unable to, and may in the future be unable to make payments to landlords, distributors and suppliers, as well as payments to service any debt they may have outstanding, including to us. We have also provided loan guarantees to various lenders on behalf of certain franchisees, and have guaranteed or are contingently liable for certain franchisees' leases. These arrangements could have an adverse effect on our liquidity and results of operations.

Other risks that may affect these third parties include general economic conditions in specific countries or markets, foreign exchange rates, changes in diplomatic and trade relationships, restrictions on the transfer of funds, and geopolitical instability. Moreover, while the franchise and licensing agreements we have entered into and plan to enter into in the future provide us with certain termination rights, the value of our brands could be impaired to the extent that these third parties do not operate their stores or websites or sell our branded products in a manner consistent with our requirements regarding our brand identities and customer experience standards. Failure to protect the value of our brands, or any other harmful acts or omissions by a franchisee or licensee, could also adversely affect our results of operations and our reputation.

Trade matters may disrupt our supply chain.

Trade restrictions, including more stringent tariffs or quotas, embargoes, safeguards, and customs restrictions against apparel items, as well as U.S. or foreign labor strikes, work stoppages, or boycotts, could increase the cost or reduce the supply of apparel available to us and adversely affect our business, financial condition and results of operations. We cannot predict whether any of the countries in which our merchandise currently is manufactured or may be manufactured in the future will be subject to additional trade restrictions imposed by the United States or other countries, including the likelihood, type, or effect of any such restrictions. For example, the current political landscape, including with respect to U.S.-China relations, and recent tariffs and bans imposed by the United States and other countries (such as the Uyghur Forced Labor Prevention Act) has introduced greater uncertainty with respect to future tax and trade regulations. In addition, we face the possibility of anti-dumping or countervailing duties lawsuits from U.S. domestic producers. We are unable to determine the impact of the changes to the quota system or the impact that potential tariff lawsuits could have on our global sourcing operations. Our sourcing operations may be adversely affected by trade limits or political and financial instability, resulting in the disruption of trade from exporting countries, significant fluctuations in the value of the U.S. dollar against foreign currencies, restrictions on the transfer of funds, or other trade disruptions. Changes in tax policy or trade regulations, such as the imposition of new tariffs on imported products, could adversely affect our business and results of operations.

Our business is exposed to the risks of foreign currency exchange rate fluctuations and our hedging strategies may not be effective in mitigating those risks.

We are exposed to foreign currency exchange rate risk with respect to our sales, operating expenses, profits, assets, and liabilities generated or incurred in foreign currencies as well as inventory purchases in U.S. dollars for our foreign subsidiaries. Fluctuations in foreign currency exchange rates could impact consumer spending or adversely affect the profitability of our foreign operations or those of our franchisees and licensees. Global economic and geopolitical uncertainty, such as the ongoing conflict between Russia and Ukraine, has resulted and in the future could result in volatility in foreign exchange rates. Although we use financial instruments to hedge certain foreign currency risks, these measures may not succeed in fully offsetting the negative impact of foreign currency rate movements and generally only delay the impact of adverse foreign currency rate movements on our business and results of operations.

We experience fluctuations in our comparable sales and margins, which could adversely affect the market price of our common stock, our credit ratings and our liquidity.

Our success depends in part on our ability to grow sales and improve margins. A variety of factors affect comparable sales and/or margins, including but not limited to apparel trends, competition, current economic conditions (including due to macroeconomic pressures, geopolitical instability or the impacts of the COVID-19 pandemic), the timing of new merchandise releases and promotional events, changes in our merchandise mix, the success of our marketing programs (including our loyalty program), supply chain disruptions and transitory costs, foreign currency fluctuations, industry traffic trends, and weather conditions. These factors may cause our comparable sales results and margins to differ materially from prior periods and from financial market expectations. Our comparable sales, including the associated comparable online sales, have fluctuated significantly in the past on an annual and quarterly basis. In fiscal 2022, our reported quarterly comparable sales have ranged from a high of 1 percent in the third quarter of fiscal 2022 to a low of negative 14 percent in the first quarter of fiscal 2022. Over the past five fiscal years, our reported gross margins have ranged from a high of 39.8 percent in fiscal 2021 to a low of 34.1 percent in fiscal 2020. In addition, over the past five fiscal years, our reported operating margins have ranged from a high of 8.2 percent in fiscal 2018 to a low of negative 6.2 percent in fiscal 2020.

Our ability to deliver strong comparable sales results and margins depends in large part on accurately forecasting demand and apparel trends, selecting effective marketing techniques, providing an appropriate mix of merchandise for our broad and diverse customer base, managing inventory effectively, using effective pricing strategies, and optimizing store performance. Fluctuations in our comparable sales and margins or failure to meet financial market expectations in one or more future periods could reduce the market price of our common stock, cause our credit ratings to decline, and negatively impact our liquidity.

The global market for real estate is competitive.

Our ability to effectively obtain real estate to open new stores, distribution centers, and corporate offices nationally and internationally depends on the availability of real estate that meets our criteria for traffic, square footage, co-tenancies, lease economics, demographics, and other factors. We also must be able to effectively renew our existing store leases. In addition, we may seek to downsize, consolidate, reposition, relocate, or close some of our real estate locations, which in most cases requires a modification or termination of an existing store lease. Since the beginning of fiscal 2020, in connection with our Power Plan strategy, we have closed hundreds of Gap and Banana Republic stores in North America. Failure to secure adequate new locations, successfully modify or exit existing locations, or effectively manage the profitability of our existing fleet of stores, could adversely affect our results of operations.

Additionally, the economic environment may at times make it difficult to determine the fair market rent of real estate properties within the United States and internationally. This could impact the quality of our decisions to enter into leases, exercise lease options and/or renew expiring leases at negotiated rents. Any adverse effect on the quality of these decisions could impact our ability to retain real estate locations adequate to meet our targets or efficiently manage the profitability of our existing fleet of stores, and could adversely affect our financial condition or results of operations.

Climate change may have an adverse impact on our business.

While we seek to mitigate our business risks associated with climate change by establishing environmental goals and standards and seeking business partners, including within our supply chain, that are committed to operating in ways that protect the environment or mitigate environmental impacts, we recognize that there are inherent climate-related risks wherever business is conducted. Our properties and operations, and those of our franchisees, vendors and other business partners, may be vulnerable to the adverse effects of climate change, which may include an increase in the frequency and severity of weather conditions and other natural cycles such as wildfires and droughts and shifts in climate patterns. The physical changes prompted by climate change could result in increased regulation or changes in consumer preferences and spending patterns. Such events have the potential to disrupt our operations and those of our franchisees, vendors and other business partners, cause store and factory closures, and impact our customers, employees and workers in our supply chain, all of which may cause us to suffer losses and additional costs to maintain or resume operations.

We are subject to various proceedings, lawsuits, disputes, and claims from time to time, which could adversely affect our business, financial condition and results of operations.

As a multinational company, we are subject to various proceedings, lawsuits, disputes, and claims (“Actions”) arising in the ordinary course of our business. Many of these Actions raise complex factual and legal issues and are subject to uncertainties. Actions filed against us from time to time include commercial, intellectual property, customer, employment, securities, and data privacy claims, including class action lawsuits. The plaintiffs in some Actions seek unspecified damages or injunctive relief, or both. Actions are in various procedural stages and some may be covered in part by insurance. We cannot predict with assurance the outcome of Actions brought against us. Additionally, defending against Actions may involve significant expense and diversion of management's attention and resources. Accordingly, developments, settlements, or resolutions may occur and impact income in the quarter of such development, settlement, or resolution. An unfavorable outcome could adversely affect our business, financial condition and results of operations.

Risks Related to Governmental and Regulatory Changes

Failure to comply with applicable laws and regulations, and changes in the regulatory or administrative landscape, could adversely affect our business, financial condition and results of operations.

Laws and regulations at the local, state, federal, and international levels frequently change, and the ultimate cost of compliance cannot be precisely estimated. In addition, we cannot predict with assurance the impact that may result from changes in the regulatory or administrative landscape. While our policies are designed to comply with all applicable laws and regulations, such laws and regulations are complex and often subject to differing interpretations, which can lead to unintentional or unknown instances of non-compliance.

Our failure, or the failure of our employees, franchisees, licensees, vendors, or other business partners, to comply with applicable laws and regulations, and any changes in laws or regulations, the imposition of additional laws or regulations, or the enactment of any new or more stringent legislation that impacts employment and labor, anti-corruption, trade, product safety, transportation and logistics, health care, tax, cybersecurity, privacy, operations, or environmental issues, among others, could adversely affect our business, financial condition and results of operations.

Our business is subject to evolving regulations and expectations with respect to environmental, social and governance matters that could expose us to numerous risks.

Increasingly regulators, customers, investors, employees and other stakeholders are focusing on ESG matters and related disclosures. These developments have resulted in, and are likely to continue to result in, increased general and administrative expenses and increased management time and attention spent complying with or meeting ESG-related requirements and expectations. For example, developing and acting on ESG-related initiatives, including design, sourcing and operations decisions, and collecting, measuring and reporting ESG-related information and metrics can be costly, difficult and time consuming and is subject to evolving reporting standards, including the SEC's proposed climate-related reporting requirements. We may also communicate certain ESG-related initiatives and goals in our SEC filings or in other public disclosures. These ESG-related initiatives and goals could be difficult and expensive to implement, the technologies needed to implement them may not be cost effective and may not advance at a sufficient pace, and we could be criticized for the accuracy, adequacy or completeness of the disclosure. Further, statements about our ESG-related initiatives and goals, and progress against those goals, may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions that are subject to change in the future. In addition, we could be criticized for the scope or nature of such initiatives or goals, or for any revisions to these goals. If our ESG-related data, processes and reporting are incomplete or inaccurate, or if we fail to achieve progress with respect to our ESG-related goals on a timely basis, or at all, our reputation, business, financial performance and growth could be adversely affected.

Risks Related to Our Credit Card Arrangement

Reductions in income and cash flow from our credit card arrangement related to our private label and co-branded credit cards could adversely affect our results of operations and financial condition.

A third party, Barclays Bank Delaware ("Barclays"), currently issues and services our portfolios of private label credit card and co-branded credit card programs for our Gap, Old Navy, Banana Republic and Athleta brands. Our agreement with Barclays provides for certain payments to be made by Barclays to us, including a share of revenues from the performance of the credit card portfolios. The income and cash flow that we receive from Barclays is dependent upon a number of factors, including the level of sales on private label and co-branded accounts, the level of balances carried on the accounts, payment rates on the accounts, finance charge rates and other fees on the accounts, the level of credit losses for the accounts, Barclay's ability to extend credit to our customers, as well as the cost of customer rewards programs. All of these factors can vary based on changes in federal and state credit card, banking, and consumer protection laws. The factors affecting the income and cash flow that we receive from our credit card arrangement can also vary based on a variety of economic, legal, social, and other factors that we cannot control. If the income and cash flow that we receive from our credit card arrangement decreases significantly, our results of operations and financial condition could be adversely affected.

Risks Relating to Our Indebtedness and Credit Profile

In July 2022, we amended and restated our senior secured asset-based revolving credit agreement (the "ABL Facility") and increased the borrowing capacity under the ABL Facility to \$2.2 billion. In September 2021, we issued \$750 million aggregate principal amount of 3.625 percent Senior Notes due 2029 (the "2029 Senior Notes") and \$750 million aggregate principal amount of 3.875 percent Senior Notes due 2031 (the "2031 Senior Notes" and, with the 2029 Senior Notes, the "Senior Notes"), which remain outstanding. As a result, we are subject to risks relating to our indebtedness, including the following risks.

See Note 7 of Notes to Consolidated Financial Statements included in Part II, Item 8, "Financial Statements and Supplementary Data," of this Form 10-K for disclosures on our debt and credit facilities.

Our level of indebtedness may adversely affect our ability to operate and expand our business.

We have a significant amount of indebtedness. As of January 28, 2023, the aggregate principal amount of our total outstanding indebtedness was \$1.5 billion under the Senior Notes and \$350 million of borrowings under the ABL Facility. As of January 28, 2023, we had \$1.85 billion in principal amount of undrawn commitments available for additional borrowings under the ABL Facility, subject to borrowing base availability.

Our high level of indebtedness could impact our business in the following ways:

- make it more difficult for us to satisfy our debt obligations, including with respect to the Senior Notes and ABL Facility;
- increase our vulnerability to general adverse economic and external conditions, including recent inflationary pressures;
- impair our ability to obtain additional debt or equity financing in the future for working capital, capital expenditures, acquisitions or general corporate or other purposes;
- require us to dedicate a material portion of our cash flows from operations to the payment of principal and interest on our indebtedness, thereby reducing the availability of our cash flows to fund working capital needs, capital expenditures, acquisitions and other general corporate purposes;
- expose us to the risk of increased interest rates for borrowings under the ABL Facility, which bear interest at a variable rate;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a disadvantage compared to our competitors that have less indebtedness; and
- limit our ability to adjust to changing market conditions.

Any of these risks could impact our ability to operate and expand our business, which could adversely affect our business, financial condition and results of operations. Furthermore, we may in the future incur additional indebtedness, which could intensify these risks and make it more difficult for us to satisfy our obligations under our indebtedness.

We may not be able to generate sufficient cash to service all of our indebtedness and fund our working capital and capital expenditures, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

We are required to dedicate a substantial portion of any cash flows from operations to the payment of interest and principal under our indebtedness. We generated net cash from operating activities of \$607 million in fiscal 2022 and ended fiscal 2022 with \$1,215 million of cash and cash equivalents on our balance sheet.

Our ability to make scheduled payments on our indebtedness depends upon our future operating performance and on our ability to generate cash flows in the future, which is subject to general economic, financial, business, competitive, legislative, regulatory and other factors that are beyond our control. We cannot assure you that our business will generate sufficient cash flows from operations or that future borrowings will be available to us in an amount sufficient to enable us to fund our debt service obligations and other liquidity needs.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investment and capital expenditures or to dispose of material assets or operations, seek additional debt or equity financing or restructure or refinance our indebtedness. We may not be able to effect any such alternative measures (including due to restrictions in our indebtedness agreements), if necessary, on commercially reasonable terms or at all and, even if successful, such alternative actions may not allow us to meet our scheduled debt service obligations.

If we cannot make scheduled payments on our indebtedness, we will be in default and, as a result, our lenders could declare all outstanding principal and interest to be due and payable, could terminate their commitments to loan money to us and could foreclose against any assets securing our indebtedness under the ABL Facility, and we could be forced into bankruptcy or liquidation.

Covenants in the ABL Facility may restrict our business and could limit our ability to implement our business plan.

The ABL Facility includes covenants restricting, among other things, our ability to do the following under certain circumstances:

- grant or incur liens;
- sell or otherwise dispose of assets, including capital stock of subsidiaries;
- make investments in certain subsidiaries;
- pay dividends, make distributions or redeem or repurchase capital stock; and
- consolidate or merge with or into, or sell substantially all of our assets to another entity.

Compliance with these and the other covenants in the ABL Facility may restrict our ability to implement our business plan, finance future operations, respond to changing business and economic conditions, secure additional financing, and engage in opportunistic transactions, such as strategic acquisitions. We cannot assure you that we will be able to comply with our financial or other covenants under the ABL Facility or that any covenant violations would be waived in the future. Any violation that is not waived could result in an event of default and, as a result, our lenders under the ABL Facility could declare all outstanding principal and interest to be due and payable, could suspend commitments to make any advances or could require any outstanding letters of credit to be collateralized by an interest bearing cash account, any or all of which could adversely affect our business, financial condition and results of operations.

Changes in our credit profile or deterioration in market conditions may limit our access to the capital markets and adversely impact our business and financial condition.

We currently have corporate credit ratings of BB with a negative outlook from Standard & Poor's and Ba2 with a negative outlook from Moody's. Any reduction in our credit ratings could result in reduced access to the credit and capital markets, more restrictive covenants in future financing documents and higher interest costs, and potentially increased lease or hedging costs. In addition, market conditions such as increased volatility or disruption in the credit markets could adversely affect our ability to obtain financing or refinance existing debt on terms that would be acceptable to us.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

As of January 28, 2023, we had Company-operated stores in the United States, Canada, Japan, China, and Taiwan, which totaled 2,685 Company-operated stores and approximately 31.8 million square feet. Almost all of these stores are leased, typically with one or more renewal options after the initial term. Terms vary by type and location of store.

We own approximately 0.9 million square feet of corporate office space located in San Francisco, Pleasanton, and Rocklin, California. We lease approximately 0.5 million square feet of corporate office space located in: San Francisco, Los Angeles and Rocklin, California; New York and Brooklyn, New York; Albuquerque, New Mexico; and Toronto, Ontario, Canada. We also lease regional offices in North America and in various international locations. We own approximately 9.5 million square feet of distribution space located in: Fresno, California; Fishkill, New York; Groveport, Ohio; Gallatin, Tennessee; Brampton, Ontario, Canada; and Longview, Texas. We also have a distribution center in construction in London, Ontario, Canada with estimated occupancy in fiscal 2025. We lease approximately 1.2 million square feet of distribution space located in: Shanghai, China; Phoenix, Arizona; and Erlanger and Hebron, Kentucky. Third-party logistics companies provide logistics services to us through distribution warehouses in Chiba, Japan; Hong Kong, China; and New Taipei City, Taiwan. We also use a number of distribution facilities located globally that are leased and operated by third-party logistics providers related to our franchise business.

Item 3. Legal Proceedings.

We do not believe that the outcome of any current Action would have a material effect on our Consolidated Financial Statements.

Item 4. Mine Safety Disclosures.

Not applicable.

Part II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The principal market on which our stock is traded is the New York Stock Exchange under the symbol "GPS". Our website is www.gapinc.com. The number of holders of record of our stock as of March 8, 2023 was 5,464.

The table below sets forth the dividends declared and paid for each of the fiscal quarters in fiscal 2022 and 2021.

	Dividends Declared and Paid	
	Fiscal Year	
	2022	2021
1st Quarter	\$ 0.15	\$ —
2nd Quarter	0.15	0.12
3rd Quarter	0.15	0.12
4th Quarter	0.15	0.12
	<u>\$ 0.60</u>	<u>\$ 0.36</u>

During fiscal 2020, the Company deferred the record and payment date of its previously announced first quarter dividend of \$0.2425 per share and suspended the Company's quarterly dividend for the remainder of fiscal year 2020. The dividend was paid on April 28, 2021 to shareholders of record at the close of business on April 7, 2021. The Company resumed its quarterly dividend in the second quarter of fiscal 2021.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

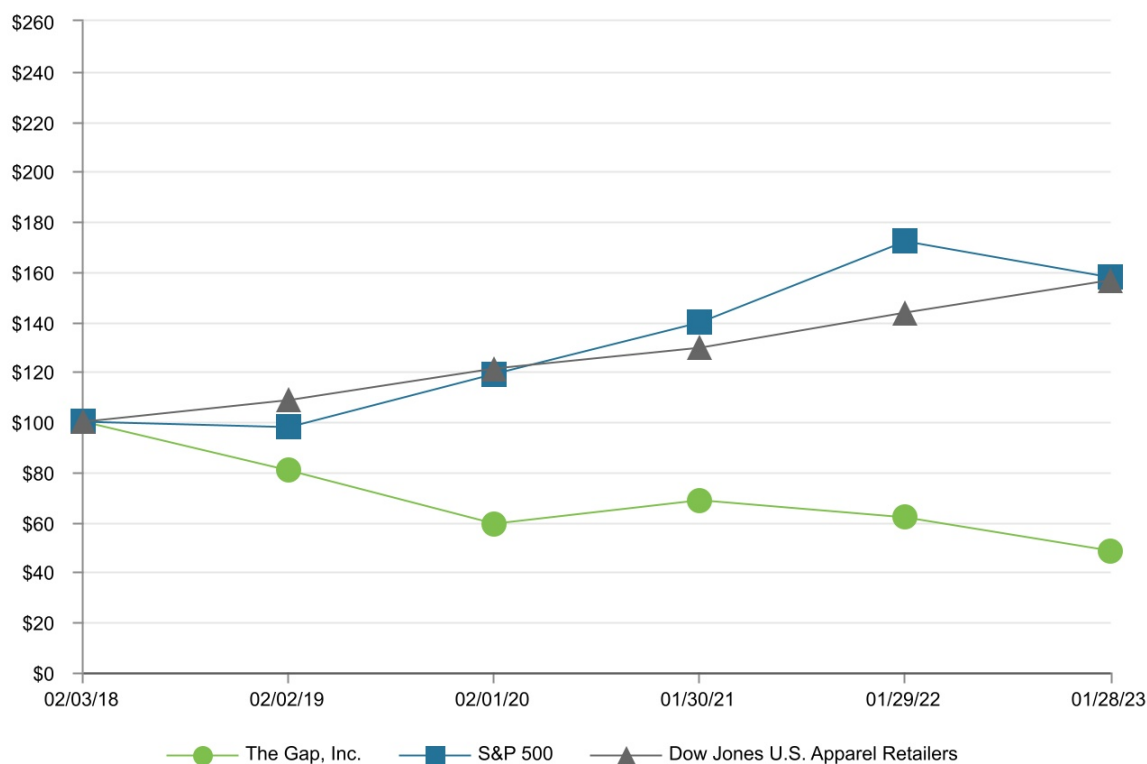
In February 2019, we announced that the Board approved a \$1.0 billion share repurchase authorization (the "February 2019 repurchase program"), which has no expiration date. There were no shares repurchased, other than shares withheld to settle employee statutory tax withholding related to the vesting of stock units, during the thirteen weeks ended January 28, 2023. The February 2019 repurchase program had \$476 million remaining as of January 28, 2023.

Stock Performance Graph

The graph below compares our cumulative total stockholder return on our common stock for the five-year period ended January 28, 2023, with the cumulative total returns of (i) the S&P 500 Index and (ii) the Dow Jones U.S. Apparel Retailers Index. The total stockholder return for our common stock assumes reinvestment of any dividends paid.

TOTAL RETURN TO STOCKHOLDERS

(Assumes \$100 investment on 2/3/2018)



Total Return Analysis

	2/3/2018	2/2/2019	2/1/2020	1/30/2021	1/29/2022	1/28/2023
The Gap, Inc.	\$ 100.00	\$ 80.60	\$ 59.08	\$ 68.71	\$ 61.70	\$ 48.53
S&P 500	\$ 100.00	\$ 97.69	\$ 118.87	\$ 139.37	\$ 171.83	\$ 157.71
Dow Jones U.S. Apparel Retailers	\$ 100.00	\$ 108.68	\$ 121.14	\$ 129.51	\$ 143.36	\$ 156.59

Source: Research Data Group, Inc.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Our Business

We are a collection of purpose-led, lifestyle brands offering apparel, accessories, and personal care products for men, women, and children under the Old Navy, Gap, Banana Republic, and Athleta brands. As of January 28, 2023, we had Company-operated stores in the United States, Canada, Japan, China, and Taiwan. Our products are available to customers online through Company-owned websites and through third party arrangements. We also have franchise agreements to operate Old Navy, Gap, Banana Republic, and Athleta throughout Asia, Europe, Latin America, the Middle East, and Africa. Under these agreements, third parties operate, or will operate, stores and websites that sell apparel and related products under our brand names. In addition to operating in the specialty, outlet, online, and franchise channels, we use our omni-channel capabilities to bridge the digital world and physical stores to further enhance our shopping experience for our customers. Our omni-channel services, including curbside pick-up, buy online pick-up in store, order-in-store, find-in-store, and ship-from-store, as well as enhanced mobile-enabled experiences, are tailored uniquely across our collection of brands. Most of the products sold under our brand names are designed by us and manufactured by independent sources.

Overview

Financial results for fiscal 2022 are as follows:

- Net sales for fiscal 2022 decreased 6 percent to \$15.6 billion compared with \$16.7 billion for fiscal 2021.
- Store sales for fiscal 2022 decreased 6 percent compared with fiscal 2021 and online sales for fiscal 2022 decreased 7 percent compared with fiscal 2021.
- Gross profit for fiscal 2022 was \$5.4 billion compared with \$6.6 billion for fiscal 2021. Gross margin for fiscal 2022 was 34.3 percent compared with 39.8 percent for fiscal 2021.
- Operating loss for fiscal 2022 was \$(69) million compared with operating income of \$810 million for fiscal 2021.
- Effective tax rate for fiscal 2022 was negative 45.3 percent compared with 20.7 percent for fiscal 2021.
- Net loss for fiscal 2022 was \$(202) million compared with net income of \$256 million for fiscal 2021.
- Diluted loss per share was \$(0.55) for fiscal 2022 compared with diluted earnings per share of \$0.67 for fiscal 2021.
- Merchandise inventory for fiscal 2022 decreased 21 percent compared with fiscal 2021.

During fiscal 2022, we made progress improving our inventory levels and inventory composition to meet changing consumer preferences; however, our gross margins were impacted by higher levels of promotional activity as well as macroeconomic challenges including global inflationary pressures. To right-size our inventory levels, we also reduced inventory orders, primarily at Old Navy, and we continue to have select seasonal product being stored at distribution centers for expected introduction into the market through fiscal 2023. In light of continued uncertain consumer preferences and the challenging macroenvironment, we will continue to take steps to improve inventory category, size, and assortments.

In the second quarter of fiscal 2022, due to difficulty managing the timing of seasonal inventory flows amidst global supply chain disruptions, the Company recorded pre-tax inventory impairment costs of \$58 million, primarily related to delayed seasonal product and extended size product at Old Navy. The costs were recorded in cost of goods sold and occupancy expenses on the Consolidated Statement of Operations.

In fiscal 2022, the Company began to take steps to drive long-term improvements across our business. These steps include reducing open and existing corporate roles, renegotiating our advertising agency contracts, reducing technology operating costs, and rationalizing digital investments. The Company did not incur material charges in connection with these steps during fiscal 2022. On March 9, 2023, the Company shared plans to further simplify and optimize its operating model and structure, including actions such as increasing spans of control and decreasing management layers to improve quality and speed of decision making, as well as creating a consistent organizational structure across all four brands. The Company also believes there are opportunities to further optimize its marketing spend and rationalize its technology investments over the next few years.

During the third quarter of fiscal 2022, the Company ended its Yeezy Gap contract and recorded pre-tax impairment costs of \$53 million, primarily related to inventory, as a result of the decision. The costs were recorded in costs of goods sold and occupancy expenses on the Consolidated Statement of Operations.

The Company is also continuing to reduce the number of Gap and Banana Republic stores in North America by approximately 350 stores from the beginning of fiscal 2020 to the end of fiscal 2023. As of January 28, 2023, we have closed, net of openings, 304 Gap and Banana Republic stores in North America since the beginning of fiscal 2020.

We completed the transition of our United Kingdom and Ireland online operations to a franchise partner through a joint venture with Next Plc on August 10, 2022. We also completed the transition of our Gap France operations to Hermione People & Brands and Gap Italy operations to OVS S.p.A. ("OVS") on October 1, 2021 and February 1, 2022, respectively. As our European partnership model transition is now complete, we sold the distribution center in Rugby, England for \$125 million and recognized a pre-tax gain on sale of \$83 million within operating expenses on the Consolidated Statement of Operations during the 52 weeks ended January 28, 2023.

On March 1, 2023, the third party that operates our Gap France franchise business was placed into receivership. We do not expect this to have a material impact to our Consolidated Financial Statements.

In addition to these changes to our European operating model, on August 1, 2022, we completed the transition of our Old Navy Mexico operations to a third party, Grupo Axo, to operate Old Navy Mexico stores as a franchise partner. As a result of this transaction, the Company recognized a pre-tax loss of \$35 million within operating expenses on the Consolidated Statement of Operations during the 52 weeks ended January 28, 2023.

On November 7, 2022, we signed agreements to transition our Gap Greater China operations to a third party, Baozun, to operate Gap Greater China stores and the in-market website as a franchise partner, subject to regulatory approvals and closing conditions. On January 31, 2023, the Gap China transaction closed with Baozun. The Gap Taiwan operations will continue to operate as usual until regulatory approvals and closing conditions are met.

In fiscal 2023 and through the global macroeconomic challenges, we will continue to manage these transitions with our partnerships in order to transform our international footprint, grow our brands, and amplify our reach.

On July 11, 2022, Sonia Syngal stepped down as President and Chief Executive Officer and resigned from the Company's Board. On the same date, Bob L. Martin, the Executive Chair of the Board, began serving as President and Chief Executive Officer on an interim basis.

We remain focused on the following strategic priorities in the near term:

- managing inventory to support a healthy merchandise margin;
- reducing and optimizing our fixed cost structure to improve profitability and manage through current macroeconomic challenges;
- driving sales through assortment improvements and a balanced and relevant category mix;
- driving creative excellence and delivering product that offers value to our customers through a combination of fit, quality, brand, and price;
- rationalizing the Gap and Banana Republic store fleet;
- prioritizing asset-light growth through licensing, online, and franchise partnerships globally;
- optimizing investments in our four purpose-led lifestyle brands to drive relevance and market share;
- attracting and retaining strong talent in our businesses and functions; and
- continuing to integrate social and environmental sustainability into business practices to support long-term growth.

We identify our operating segments according to how our business activities are managed and evaluated. As of January 28, 2023, our operating segments included Old Navy Global, Gap Global, Banana Republic Global, and Athleta Global. We have determined that each of our operating segments share similar economic and other qualitative characteristics, and, therefore, the results of our operating segments are aggregated into one reportable segment.

Results of Operations

Net Sales

See Note 3 of Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, of this Form 10-K for net sales disaggregation.

Comparable Sales ("Comp Sales")

Comp Sales include the results of Company-operated stores and sales through online channels. The calculation of Gap Inc. Comp Sales excludes the results of the franchise business. Gap Inc. Comp Sales included the results of Janie and Jack and Intermix until the divestitures of those brands in fiscal 2021. Comp Sales also included the results of our European operations and Old Navy Mexico operations until the respective transitions to third party franchise partners in fiscal 2021 and 2022.

A store is included in the Comp Sales calculations when it has been open and operated by the Company for at least one year and the selling square footage has not changed by 15 percent or more within the past year. A store is included in the Comp Sales calculations on the first day it has comparable prior year sales. Stores in which the selling square footage has changed by 15 percent or more as a result of a remodel, expansion, or reduction are excluded from the Comp Sales calculations until the first day they have comparable prior year sales.

A store is considered non-comparable ("Non-comp") when it has been open and operated by the Company for less than one year or has changed its selling square footage by 15 percent or more within the past year.

A store is considered "Closed" if it is temporarily closed for three or more full consecutive days or it is permanently closed. When a temporarily closed store reopens, the store will be placed in the Comp/Non-comp status it was in prior to its closure. If a store was in Closed status for three or more days in the prior year, the store will be in Non-comp status for the same days the following year.

Current year foreign exchange rates are applied to both current year and prior year Comp Sales to achieve a consistent basis for comparison.

For the 52 weeks ended January 29, 2022, any stores temporarily closed for more than three days as a result of the COVID-19 pandemic were excluded from the Comp Sales calculations. After stores reopened, subsequent sales were included in the Comp/Non-comp status they were in prior to temporary closure. Online sales continued to be included in the Comp Sales calculation.

As a result of the extensive temporary store closures during the first quarter of fiscal 2020 due to the COVID-19 pandemic, Comp Sales are not a meaningful metric for the 52 weeks ended January 30, 2021.

The percentage change in Comp Sales by global brand and for The Gap, Inc., as compared with the preceding year, is as follows:

	Fiscal Year	
	2022	2021
Old Navy Global	(12)%	— %
Gap Global	(4)%	8 %
Banana Republic Global	9 %	24 %
Athleta Global	(5)%	12 %
The Gap, Inc.	(7)%	6 %

Store count, openings, closings, and square footage for our stores are as follows:

	January 29, 2022	Fiscal 2022		January 28, 2023	
	Number of Store Locations	Number of Stores Opened	Number of Stores Closed	Number of Store Locations	Square Footage (in millions)
Old Navy North America (1)	1,252	30	20	1,238	19.8
Gap North America	520	10	37	493	5.2
Gap Asia	329	5	102	232	2.0
Gap Europe (2)	11	—	—	—	—
Banana Republic North America	446	2	29	419	3.5
Banana Republic Asia	50	3	7	46	0.2
Athleta North America	227	40	10	257	1.1
Company-operated stores total	2,835	90	205	2,685	31.8
Franchise (1) (2)	564	138	70	667	N/A
Total	3,399	228	275	3,352	31.8
Decrease over prior year				(1.4)%	(4.5)%

	January 30, 2021	Fiscal 2021		January 29, 2022	
	Number of Store Locations	Number of Stores Opened	Number of Stores Closed	Number of Store Locations	Square Footage (in millions)
Old Navy North America	1,220	44	12	1,252	20.1
Gap North America	556	2	38	520	5.5
Gap Asia	340	12	23	329	2.8
Gap Europe (3)	117	1	86	11	0.1
Banana Republic North America	471	2	27	446	3.7
Banana Republic Asia	47	6	3	50	0.2
Athleta North America	199	30	2	227	0.9
Intermix North America (4)	31	—	—	—	—
Janie and Jack North America (4)	119	—	—	—	—
Company-operated stores total	3,100	97	191	2,835	33.3
Franchise (3)	615	78	150	564	N/A
Total	3,715	175	341	3,399	33.3
Decrease over prior year				(8.5)%	(3.8)%

- (1) The 24 Old Navy Mexico stores that were transitioned to Grupo Axo during the period are not included as store closures or openings for Company-operated and Franchise store activity. The ending balance for Old Navy North America excludes these stores and the ending balance for Franchise includes these stores.
- (2) The 11 Gap Italy stores that were transitioned to OVS during the period are not included as store closures or openings for Company-operated and Franchise store activity. The ending balance for Gap Europe excludes these stores and the ending balance for Franchise includes these stores.
- (3) The 21 Gap France stores that were transitioned to Hermione People & Brands during the period are not included as store closures or openings for Company-operated and Franchise store activity. The ending balance for Gap Europe excludes these stores and the ending balance for Franchise includes these stores.
- (4) On April 8, 2021, the Company completed the divestiture of the Janie and Jack brand. On May 21, 2021, the Company completed the divestiture of the Intermix business. The 150 stores divested are not included as store closures or in the ending balance for fiscal 2021.

Outlet and factory stores are reflected in each of the respective brands.

Net Sales Discussion

Our net sales for fiscal 2022 decreased \$1.1 billion, or 6 percent, compared with fiscal 2021, driven primarily by Old Navy Global as a result of inventory delays related to global supply chain disruptions, as well as size and assortment imbalances in the first half of fiscal 2022. The decrease in net sales was also driven by strategic store closures which was partially offset by an increase in net sales related to our franchise business as well as Banana Republic Global. There was also an unfavorable impact of foreign exchange of \$162 million. The foreign exchange impact is the translation impact if net sales for fiscal 2021 were translated at exchange rates applicable during fiscal 2022.

Our net sales for fiscal 2021 increased \$2.9 billion, or 21 percent, compared with fiscal 2020, driven primarily by temporary closures across our fleet during fiscal 2020 due to the COVID-19 pandemic, as well as a favorable impact of foreign exchange of \$93 million; partially offset by supply chain disruptions that constrained inventory and negatively impacted sales in the second half of fiscal 2021. The foreign exchange impact is the translation impact if net sales for fiscal 2020 were translated at exchange rates applicable during fiscal 2021.

Cost of Goods Sold and Occupancy Expenses

(\$ in millions)	Fiscal Year		
	2022	2021	2020
Cost of goods sold and occupancy expenses	\$ 10,257	\$ 10,033	\$ 9,095
Gross profit	\$ 5,359	\$ 6,637	\$ 4,705
Cost of goods sold and occupancy expenses as a percentage of net sales	65.7 %	60.2 %	65.9 %
Gross margin	34.3 %	39.8 %	34.1 %

Cost of goods sold and occupancy expenses increased 5.5 percentage points as a percentage of net sales in fiscal 2022 compared with fiscal 2021.

- Cost of goods sold increased 5.0 percentage points as a percentage of net sales in fiscal 2022 compared with fiscal 2021, primarily driven by higher promotional activity and increased average unit costs. Average unit costs were impacted by commodity price increases and were partially offset by a decrease in air freight costs. The increase was also due to inventory impairment which was primarily related to seasonal product and extended size product at Old Navy Global as well as the decision to discontinue the Yeezy Gap business.
- Occupancy expenses increased 0.5 percentage points as a percentage of net sales in fiscal 2022 compared with fiscal 2021, primarily driven by a decrease in Comp Sales without a corresponding decrease in fixed occupancy expenses.

Cost of goods sold and occupancy expenses decreased 5.7 percentage points as a percentage of net sales in fiscal 2021 compared with fiscal 2020.

- Cost of goods sold decreased 3.1 percentage points as a percentage of net sales in fiscal 2021 compared with fiscal 2020, primarily due to lower promotional activity, a decrease in online shipping costs due to lower ship-from-store fulfillment, and higher inventory impairment recognized during fiscal 2020 due to the COVID-19 pandemic; partially offset by higher air freight costs especially in the fourth quarter of fiscal 2021.
- Occupancy expenses decreased 2.6 percentage points as a percentage of net sales in fiscal 2021 compared with fiscal 2020, primarily driven by an increase in net sales largely due to temporary store closures as a result of the COVID-19 pandemic during fiscal 2020 as well as a decrease in fixed occupancy expenses due to strategic store closures.

Operating Expenses and Operating Margin

(\$ in millions)	Fiscal Year		
	2022	2021	2020
Operating expenses	\$ 5,428	\$ 5,827	\$ 5,567
Operating expenses as a percentage of net sales	34.8 %	35.0 %	40.3 %
Operating margin	(0.4)%	4.9 %	(6.2)%

Operating expenses decreased \$399 million, or 0.2 percentage points as a percentage of net sales in fiscal 2022 compared with fiscal 2021 primarily due to the following:

- a decrease in performance-based compensation;
- a gain of \$83 million on sale of building;
- a decrease in advertising expense primarily at Old Navy Global; and
- a decrease in costs incurred related to strategic initiatives completed in fiscal 2022, which included the transition of our Old Navy Mexico business, compared with fiscal 2021, which included divestiture activity and the review of our European operating model.

Operating expenses increased \$260 million, but decreased 5.3 percentage points as a percentage of net sales in fiscal 2021 compared with fiscal 2020 primarily due to an increase in net sales as well as the following:

- an increase in advertising expense to support demand generation across all purpose-led lifestyle brands;
 - an increase in performance-based compensation;
 - an increase in store payroll and benefits and other store operating expenses due to COVID-19 temporary store closures during fiscal 2020 which was partially offset by additional costs incurred during fiscal 2020 to support health and safety measures as stores reopened;
 - an increase related to fiscal 2021 strategic initiatives including divestiture activity and the review of our European operating model; and
 - an increase related to digital innovation costs to fuel the growth priorities of the business;
- partially offset by*
- a decrease due to impairment charges of \$557 million during fiscal 2020 primarily due to the impact of the COVID-19 pandemic and a strategic review of the Intermix business; and
 - a decrease in lease termination fees.

Loss on Extinguishment of Debt

(\$ in millions)	Fiscal Year		
	2022	2021	2020
Loss on extinguishment of debt	\$ —	\$ 325	\$ 58

On September 27, 2021, the Company completed the issuance of its 3.625 percent senior notes due 2029 ("2029 Notes") and 3.875 percent senior notes due 2031 ("2031 Notes") (the 2029 Notes and the 2031 Notes, collectively, the "Senior Notes"), in an aggregate principal amount of \$1.5 billion. The Company used the net proceeds from the offering, together with cash on hand, to complete tender offers and purchase an aggregate principal amount of \$1.9 billion of its 8.375 percent senior secured notes due 2023 (the "2023 Notes"), 8.625 percent senior secured notes due 2025 (the "2025 Notes"), and 8.875 percent senior secured notes due 2027 (the "2027 Notes") (the 2023 Notes, the 2025 Notes, and the 2027 Notes, collectively, the "Secured Notes"). On October 27, 2021, the Company redeemed the remaining outstanding Secured Notes that were not tendered in the tender offers and paid the related make-whole premiums. We incurred a loss on extinguishment of debt of \$325 million, which was recorded on the Consolidated Statement of Operations during fiscal 2021, primarily related to the tender premiums, make-whole premiums, and unamortized debt issuance costs of the Secured Notes.

On May 7, 2020, the Company completed the issuance of the Secured Notes in an aggregate principal amount of \$2.25 billion and used the proceeds to redeem its 5.95 percent notes due April 2021 (the "2021 Notes"). We incurred a loss on extinguishment of debt of \$58 million, primarily related to the make-whole premium, which was recorded on the Consolidated Statement of Operations during fiscal 2020.

Interest Expense

(\$ in millions)	Fiscal Year		
	2022	2021	2020
Interest expense	\$ 88	\$ 167	\$ 192

The total outstanding principal related to our Notes decreased from \$2.25 billion as of January 30, 2021, to \$1.5 billion as of January 29, 2022 as a result of the issuance of our Senior Notes on September 27, 2021. Additionally, the Senior Notes bear interest at 3.625 percent and 3.875 percent compared with 8.375 percent, 8.625 percent, and 8.875 percent with our previous Secured Notes.

Interest expense decreased \$79 million or 47.3 percent during fiscal 2022 compared with fiscal 2021 primarily due to lower interest rates and principal for outstanding borrowings.

Interest expense decreased \$25 million or 13.0 percent during fiscal 2021 compared with fiscal 2020 primarily due to the lower interest rates and principal as a result of the issuance of the Senior Notes.

Income Taxes

(\$ in millions)	Fiscal Year		
	2022	2021	2020
Income tax expense (benefit)	\$ 63	\$ 67	\$ (437)
Effective tax rate	(45.3)%	20.7 %	39.7 %

The decrease in the effective tax rate for fiscal 2022 compared with fiscal 2021 was primarily due to changes in the jurisdictional mix of pre-tax operations and divestiture activities.

The decrease in the effective tax rate for fiscal 2021 compared with fiscal 2020 was primarily due to benefits from the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), foreign entity structure changes related to fiscal 2020, and the recognition of certain tax benefits associated with divestiture activity occurring in fiscal 2021, partially offset by the tax impact of foreign operations.

See Note 4 of Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, of this Form 10-K for further details.

Liquidity and Capital Resources

We consider the following to be measures of our liquidity and capital resources:

(\$ in millions)	January 28, 2023	January 29, 2022
Cash and cash equivalents	\$ 1,215	\$ 877
Debt		
3.625 percent Senior Notes due 2029	750	750
3.875 percent Senior Notes due 2031	750	750
Working capital	1,361	1,088
Current ratio	1.42:1	1.27:1

As of January 28, 2023, the majority of our cash and cash equivalents were held in the United States and are generally accessible without any limitations.

We are also able to supplement near-term liquidity, if necessary, with our senior secured asset-based revolving credit agreement (the "ABL Facility") or other available market instruments. On July 13, 2022, we entered into an amendment and restatement of the ABL Facility. Among other changes, the amendment and restatement extended the maturity of the ABL Facility to July 2027, increased the borrowing capacity, modified the reference rate from the London Interbank Offered Rate ("LIBOR") to the Secured Overnight Financing Rate ("SOFR"), and reduced the applicable interest rate margin. As of January 28, 2023, the Company's outstanding borrowing under the ABL Facility was \$350 million. See Note 7 of Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, of this Form 10-K for disclosures on the ABL Facility.

Our largest source of operating cash flows is cash collections from the sale of our merchandise. Our primary uses of cash include merchandise inventory purchases, lease and occupancy costs, personnel-related expenses, purchases of property and equipment, shipping costs, and payment of taxes. As our business typically follows a seasonal pattern, with sales peaking during the end-of-year holiday period, we fund inventory expenditures during normal and peak periods through cash flows from operating activities and available cash. Additionally, we have select seasonal product being stored at distribution centers for expected introduction into the market through fiscal 2023, which will impact inventory expenditures in future periods. The seasonality of our operations, in addition to the impact of global economic conditions such as the uncertainty surrounding global inflationary pressures, the COVID-19 pandemic, and the Russia-Ukraine crisis, may lead to significant fluctuations in certain asset and liability accounts as well as cash inflows and outflows between fiscal year-end and subsequent interim periods.

We are party to many contractual obligations involving commitments to make payments to third parties. These obligations impact our short-term and long-term liquidity and capital resource needs. Certain contractual obligations are reflected on the Consolidated Balance Sheet as of January 28, 2023, while others are considered future obligations. Our contractual obligations primarily consist of operating leases, purchase obligations and commitments, long-term debt and related interest payments, and income taxes. See Notes 7 and 12 of Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, of this Form 10-K for information related to our debt including our ABL Facility and operating leases, respectively.

Purchase obligations and commitments consist of open purchase orders to purchase inventory as well as commitments for products and services used in the normal course of business. As of January 28, 2023, our purchase obligations and commitments were approximately \$4 billion. The decrease compared with the purchase obligations and commitments as of January 29, 2022 is primarily due to reduced inventory orders as global supply chain challenges have improved in fiscal 2022, reducing the need to start the merchandise booking process earlier. We expect that the majority of these purchase obligations and commitments will be settled within one year.

Our contractual obligations related to income taxes are primarily related to unrecognized tax benefits. See Note 4 of Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, of this Form 10-K for information related to income taxes.

We believe our existing balances of cash and cash equivalents, along with our cash flows from operations, and instruments mentioned above, provide sufficient funds for our business operations as well as capital expenditures, dividends, and other liquidity requirements associated with our business operations over the next 12 months and beyond.

Cash Flows from Operating Activities

Net cash provided by operating activities decreased \$202 million during fiscal 2022 compared with fiscal 2021, primarily due to the following:

Net income (loss)

- Net loss compared with net income in the prior year;

Non-cash item

- a decrease of \$325 million due to a loss on extinguishment of debt during fiscal 2021;

Changes in operating assets and liabilities

- a decrease of \$726 million related to accounts payable primarily due to the timing of payments for inventory during fiscal 2022 compared with fiscal 2021; and
- a decrease of \$415 million related to accrued expenses and other current liabilities primarily due to a decrease in performance-based compensation for fiscal 2022 compared with fiscal 2021; partially offset by
- an increase of \$1,147 million related to merchandise inventory primarily due to timing of receipts as a result of shipping delays and port congestion that occurred during fiscal 2021; and
- an increase of \$502 million related to income taxes payable, net of receivables and other tax-related items, primarily due to receipt of tax refunds during fiscal 2022 related to fiscal 2020 net operating loss carryback claims.

Net cash provided by operating activities increased \$572 million during fiscal 2021 compared with fiscal 2020, primarily due to the following:

Net income (loss)

- Net income compared with net loss in prior year;

Non-cash items

- a decrease of \$517 million due to lower non-cash impairment charges for operating lease assets and store assets during fiscal 2021 compared with fiscal 2020; and
- an increase of \$267 million due to higher loss on extinguishment of debt during fiscal 2021 compared with fiscal 2020;

Changes in operating assets and liabilities

- an increase of \$219 million related to income taxes payable, net of receivables, and other tax-related items resulting from the taxable loss carryback recorded in fiscal 2020 as well as timing of tax-related payments;
- an increase of \$186 million related to accrued expenses and other current liabilities in part due to an increase in deferred revenue due to the new integrated loyalty program and an increase in performance-based compensation during fiscal 2021 compared to fiscal 2020;
- a decrease of \$378 million related to accounts payable primarily due to the suspension of rent for stores closed temporarily during fiscal 2020 as well as changes in payment terms as a result of the COVID-19 pandemic; and
- a decrease of \$288 million related to merchandise inventory in part due to higher air freight cost and timing of receipts as a result of the global supply chain disruptions during fiscal 2021 compared to fiscal 2020.

Cash Flows from Investing Activities

Net cash used for investing activities during fiscal 2022 decreased \$219 million compared with fiscal 2021, primarily due to the following:

- \$458 million in net proceeds from sale of buildings during fiscal 2022; and
- \$135 million in cash payments for acquisitions in fiscal 2021; partially offset by
- \$409 million in net proceeds from available-for-sale securities during fiscal 2021.

In fiscal 2022, cash used for purchases of property and equipment was \$685 million primarily related to information technology, store investments, and supply chain to support our omni and digital strategies.

Net cash used for investing activities during fiscal 2021 decreased \$64 million compared with fiscal 2020, primarily due to the following:

- \$529 million higher net proceeds from available for sale securities during fiscal 2021 compared with fiscal 2020; partially offset by
- \$302 million more purchases of property and equipment during fiscal 2021 compared with fiscal 2020; and
- \$135 million in cash payments for acquisitions in fiscal 2021.

In fiscal 2021, cash used for purchases of property and equipment was \$694 million primarily related to information technology, including our ongoing cloud transformation, and supply chain to support our omni and digital strategies.

Cash Flows from Financing Activities

Net cash provided by financing activities was \$6 million during fiscal 2022 compared with \$1,471 million of cash used for financing activities during fiscal 2021, primarily due to the following:

- \$2,546 million for payments related to the extinguishment of long-term debt during fiscal 2021; and
- \$350 million in proceeds received from borrowing under the ABL Facility during the first quarter of fiscal 2022; partially offset by
- \$1,500 million in proceeds received for the issuance of long-term debt during fiscal 2021.

Net cash used for financing activities was \$1,471 million during fiscal 2021 compared with \$895 million of cash provided by financing activities during fiscal 2020, primarily due to the following:

- \$2,546 million for payments related to the extinguishment of long-term debt during fiscal 2021 compared with \$1,307 million paid during fiscal 2020;
- \$1,500 million in proceeds received for the issuance of long-term debt for fiscal 2021 compared with \$2,250 million in proceeds received for fiscal 2020;
- \$226 million in payments of dividends during fiscal 2021 compared with no dividends paid during fiscal 2020 as a result of the COVID-19 pandemic; and
- \$201 million in repurchases of common stock during fiscal 2021 compared with no repurchases during fiscal 2020 as a result of the COVID-19 pandemic.

Free Cash Flow

Free cash flow is a non-GAAP financial measure. We believe free cash flow is an important metric because it represents a measure of how much cash a company has available for discretionary and non-discretionary items after the deduction of capital expenditures. We require regular capital expenditures including technology improvements to automate processes, engage with customers, and optimize our supply chain in addition to building and maintaining stores. We use this metric internally, as we believe our sustained ability to generate free cash flow is an important driver of value creation. However, this non-GAAP financial measure is not intended to supersede or replace our GAAP results.

The following table reconciles free cash flow, a non-GAAP financial measure, from net cash provided by operating activities, a GAAP financial measure.

(\$ in millions)	Fiscal Year		
	2022	2021	2020
Net cash provided by operating activities	\$ 607	\$ 809	\$ 237
Less: Purchases of property and equipment	(685)	(694)	(392)
Free cash flow	\$ (78)	\$ 115	\$ (155)

Debt and Credit Facilities

Certain financial information about the Company's debt and credit facilities is set forth under the headings "Debt and Credit Facilities" in Note 7 of Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, of this Form 10-K.

Dividend Policy

In determining whether and at what level to declare a dividend, we consider a number of factors including sustainability, operating performance, liquidity, and market conditions.

We paid an annual dividend of \$0.60 per share in fiscal 2022 and \$0.36 per share in fiscal 2021. We plan to pay a dividend of \$0.15 per share in the first quarter of fiscal 2023.

Share Repurchases

Certain financial information about the Company's share repurchases is set forth under the heading "Share Repurchases" in Note 10 of Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, of this Form 10-K.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to adopt accounting policies and make significant judgments and estimates to develop amounts reflected and disclosed in the financial statements.

Our significant accounting policies can be found under the heading "Organization and Summary of Significant Accounting Policies" in Note 1 of Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, of this Form 10-K.

The policies and estimates discussed below include the financial statement elements that are either judgmental or involve the selection or application of alternative accounting policies and are material to our financial statements.

Inventory Valuation

We value inventory at the lower of cost or net realizable value ("LCNRV"), with cost determined using the weighted-average cost method. We review our inventory levels in order to identify slow-moving merchandise and broken assortments (items no longer in stock in a sufficient range of sizes or colors), and we primarily use promotions and markdowns to clear merchandise. We record an adjustment to inventory when future estimated selling price is less than cost. Our LCNRV adjustment calculation requires management to make assumptions to estimate the selling price and amount of slow-moving merchandise and broken assortments subject to markdowns, which is dependent upon factors such as historical trends with similar merchandise, inventory aging, forecasted consumer demand, and the promotional environment.

We do not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions we use to calculate our LCNRV. However, if estimates regarding consumer demand are inaccurate, or if economic conditions including delayed shipments, global inflationary pressures, and other supply chain challenges worsen beyond what is currently estimated by management, our operating results could be affected.

Impairment of Long-Lived Assets

Long-lived assets, which primarily consist of property and equipment and operating lease assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. Events that result in an impairment review include a significant decrease in the operating performance of the long-lived asset or the decision to close a store, corporate facility, or distribution center.

Long-lived assets are considered impaired if the carrying amount exceeds the estimated undiscounted future cash flows of the asset or asset group over the estimated remaining useful life. The asset group is defined as the lowest level for which identifiable cash flows are available and largely independent of the cash flows of other groups of assets. For our Company-operated stores, including flagships, the individual store generally represents the lowest level of independent identifiable cash flows and the asset group is comprised of both property and equipment and operating lease assets.

For impaired assets, we recognize a loss equal to the difference between the carrying amount of the asset or asset group and its estimated fair value. The estimated fair value of the asset or asset group is based on discounted future cash flows of the asset or asset group using a discount rate commensurate with the related risk. For operating lease assets, the Company determines the estimated fair value of the assets by comparing the discounted contractual rent payments to estimated market rental rates using available valuation techniques.

Our estimate of future cash flows requires management to make assumptions and to apply judgment, including forecasting future sales and gross profits and estimating useful lives of the assets. These estimates can be affected by factors such as future sales results, real estate market conditions, store closure plans, economic conditions, business interruptions, interest rates and government regulations that can be difficult to predict. If actual results and conditions are not consistent with the estimates and assumptions used in our calculations, we may be exposed to additional impairments of long-lived assets.

See Note 8 of Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, of this Form 10-K for additional information and disclosures about impairment of long-lived assets.

Income Taxes

We are a multinational company operating in multiple domestic and foreign locations with different tax laws and regulations. The Company's management is required to interpret and apply these tax laws and regulations in determining the amount of its income tax liability for financial statement purposes. We record a valuation allowance against our deferred tax assets when it is more likely than not that some portion or all of such deferred tax assets will not be realized. In determining the need for a valuation allowance, management is required to make assumptions and to apply judgment, including tax planning strategies, forecasting future income, taxable income, and the geographic mix of income or losses in the jurisdictions in which we operate. Our effective tax rate in a given financial statement period may also be materially impacted by changes in the geographic mix and level of income or losses, changes in the expected or actual outcome of audits, and changes in the deferred tax valuation allowance or new tax legislation.

On a recurring basis, we assess the need for a valuation allowance related to our deferred income tax assets, which includes consideration of both positive and negative evidence to determine, based on the weight of the available evidence, whether it is more likely than not that some or all of our deferred tax assets will not be realized. In our assessment, we consider recent financial operating results, the scheduled expiration of our net operating losses, potential sources of taxable income, the reversal of existing taxable differences, taxable income in prior carryback years (if permitted under tax law), and tax planning strategies.

It is possible that there will be changes in our business structure, our performance, our industry or otherwise that cause results to differ materially in future periods. If the changes result in significant and sustained reductions in our pre-tax income or utilization of existing tax carryforwards in future periods, additional valuation allowances may be required with corresponding adverse impacts on results of operations. Such adverse impacts may be material.

At any point in time, many tax years are subject to or in the process of being audited by various U.S. and foreign tax jurisdictions. These audits include reviews of our tax filing positions, including the timing and amount of deductions taken and the allocation of income between tax jurisdictions. When an uncertain tax position is identified, we recognize a benefit only if we believe it is more likely than not that the tax position based on its technical merits will be sustained upon examination by the relevant tax authorities. We recognize a benefit for tax positions using the highest cumulative tax benefit that is more likely than not to be realized. We establish a liability for tax positions that do not meet this threshold. The evaluation of uncertain tax positions requires management to apply specialized skill and knowledge related to tax laws and regulations and to make assumptions that are subject to factors such as possible assessments by tax authorities, changes in facts and circumstances, issuance of new regulations, and resolutions of tax audits. To the extent we prevail in matters for which a liability has been established or are required to pay amounts in excess of our established liability, our effective income tax rate in a given financial statement period could be materially affected.

See Note 4 of Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, of this Form 10-K for additional information on income taxes.

Recent Accounting Pronouncements

See "Organization and Summary of Significant Accounting Policies" in Note 1 of Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, of this Form 10-K for recent accounting pronouncements, including the expected dates of adoption and estimated effects on our Consolidated Financial Statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Derivative Financial Instruments

Certain financial information about the Company's derivative financial instruments is set forth under the heading "Derivative Financial Instruments" in Note 9 of Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, of this Form 10-K.

We have performed a sensitivity analysis as of January 28, 2023 based on a model that measures the impact of a hypothetical 10 percent adverse change in foreign currency exchange rates to U.S. dollars (with all other variables held constant) on our underlying estimated major foreign currency exposures, net of derivative financial instruments. The foreign currency exchange rates used in the model were based on the spot rates in effect as of January 28, 2023. The sensitivity analysis indicated that a hypothetical 10 percent adverse movement in foreign currency exchange rates would have an unfavorable impact on the underlying cash flow, net of our foreign exchange derivative financial instruments, of \$14 million as of January 28, 2023.

Debt

Certain financial information about the Company's debt is set forth under the heading "Debt and Credit Facilities" in Note 7 of Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, of this Form 10-K.

Our Senior Notes have fixed interest rates and are exposed to interest rate risk that is limited to changes in fair value. Changes in interest rates do not impact our cash flows.

We currently have a \$350 million variable-rate borrowing under our ABL Facility, which is subject to interest rate risk due to changes in SOFR. A hypothetical increase in 100 basis points of the SOFR rate would have resulted in an increase in interest expense of \$3.5 million during the 52 weeks ended January 28, 2023.

Cash Equivalents

Certain financial information about the Company's cash equivalents is set forth under the heading "Fair Value Measurements" in Note 8 of Notes to Consolidated Financial Statements included in Item 8, Financial Statements and Supplementary Data, of this Form 10-K.

We have highly liquid fixed and variable income investments classified as cash equivalents, which are placed primarily in time deposits. We generally value these investments at their original purchase prices plus interest that has accrued at the stated rate. The value of our investments is not subject to material interest rate risk.

Item 8. Financial Statements and Supplementary Data.

**THE GAP, INC.
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Report of Independent Registered Public Accounting Firm

To the shareholders and the Board of Directors of The Gap, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of The Gap, Inc. and subsidiaries (the "Company") as of January 28, 2023 and January 29, 2022, the related consolidated statements of operations, comprehensive income (loss), stockholders' equity, and cash flows, for each of the fiscal years ended January 28, 2023, January 29, 2022 and January 30, 2021 and the related notes (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of January 28, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of January 28, 2023 and January 29, 2022, and the results of its operations and its cash flows for each of the fiscal years ended January 28, 2023, January 29, 2022 and January 30, 2021, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 28, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

Basis for Opinions

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Income Taxes - Realizability of Deferred Tax Assets — Refer to Note 4 in the financial statements

Critical Audit Matter Description

The Company recognizes deferred taxes for temporary differences between the financial statement and income tax basis of assets and liabilities and tax attribute carryforwards. Deferred tax balances are measured based on enacted statutory tax rates currently in effect for the years in which the differences are expected to be settled or realized. Valuation allowances are evaluated and recorded on a tax-paying component basis to reduce deferred tax assets to amounts that are more likely than not to be realized in the future.

The Company has identified objectively verifiable negative evidence in the form of cumulative losses on an unadjusted basis in certain jurisdictions, over the preceding twelve quarters ended January 28, 2023. The Company evaluated its historical earnings in these jurisdictions, after adjusting for certain nonrecurring items, and its forecasts of future taxable income, including expected future reversals of existing taxable temporary differences. As a result, the Company determined, with the exception of certain deferred tax assets, it is more likely than not that its deferred tax assets will be realizable in the future. As of January 28, 2023, the Company reported gross deferred tax assets of \$1,879 million and valuation allowances of \$369 million.

We identified management's assertion that, with the exception of certain deferred tax assets, the deferred tax assets are more likely than not going to be realized, as a critical audit matter due to the inherent uncertainty and significance of management's judgments in forecasting financial results. A high degree of auditor judgment and the involvement of our tax specialists was required when performing audit procedures to evaluate the reasonableness of management's assertion.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the realizability of the Company's deferred tax assets included the following, among others:

- We tested the effectiveness of controls over the valuation allowance for income taxes, including management's controls over the estimates of future taxable income and the determination of whether it is more likely than not that the deferred tax assets will be realized in the future.
- With the assistance of our income tax specialists, we performed the following:
 - Evaluated the reasonableness of the methods, assumptions, and judgments used by management to determine whether a valuation allowance was necessary
 - Evaluated whether the sources of management's estimated taxable income were of the appropriate character and sufficient to utilize the deferred income tax assets under the relevant tax law, which included:
 - evaluating management's assessment of the scheduling of the reversal of existing temporary taxable differences and carryforward lives of the deferred income tax assets, and the availability of tax planning strategies as a source of future taxable income, and
 - evaluating the recurring permanent differences included in the historical taxable income for reasonableness
- We evaluated the Company's historical losses along with the Company's identification and quantification of items used to adjust historical losses to determine if such amounts were reasonable to be considered a source of future taxable income and consistent with evidence obtained in other areas of the audit.
- We tested the reasonableness of management's estimates of future taxable income by:
 - Evaluating management's ability to accurately estimate taxable income by comparing actual results to management's historical estimates and evaluating whether there have been any changes that would impact management's ability to continue accurately estimating taxable income
 - Comparing the historical taxable income to internal budgets and information communicated internally to the Board of Directors and in Company press releases and investor presentations
 - Comparing the estimates to historical taxable income
 - Making inquiries of individuals outside of the accounting function
 - Testing the completeness, accuracy and relevance of underlying data used in the forecast
 - Testing the mathematical accuracy of the Company's valuation allowance analysis
- We evaluated the sufficiency of the Company's disclosures related to the realizability of deferred income tax assets and valuation allowances in the financial statements.

/s/ Deloitte & Touche LLP

San Francisco, California
March 14, 2023

We have served as the Company's auditor since at least 1976, in connection with its initial public offering; however, an earlier year could not be reliably determined.

THE GAP, INC.
CONSOLIDATED BALANCE SHEETS

(\$ and shares in millions except par value)	January 28, 2023	January 29, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,215	\$ 877
Merchandise inventory	2,389	3,018
Other current assets	1,013	1,270
Total current assets	4,617	5,165
Property and equipment, net of accumulated depreciation	2,688	3,037
Operating lease assets	3,173	3,675
Other long-term assets	908	884
Total assets	\$ 11,386	\$ 12,761
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,320	\$ 1,951
Accrued expenses and other current liabilities	1,219	1,367
Current portion of operating lease liabilities	667	734
Income taxes payable	50	25
Total current liabilities	3,256	4,077
Long-term liabilities:		
Revolving credit facility	350	—
Long-term debt	1,486	1,484
Long-term operating lease liabilities	3,517	4,033
Other long-term liabilities	544	445
Total long-term liabilities	5,897	5,962
Commitments and contingencies (see Note 15)		
Stockholders' equity:		
Common stock \$0.05 par value		
Authorized 2,300 shares for all periods presented; Issued and Outstanding 366 and 371 shares	18	19
Additional paid-in capital	27	43
Retained earnings	2,140	2,622
Accumulated other comprehensive income	48	38
Total stockholders' equity	2,233	2,722
Total liabilities and stockholders' equity	\$ 11,386	\$ 12,761

See Accompanying Notes to Consolidated Financial Statements

THE GAP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(\$ and shares in millions except per share amounts)	Fiscal Year		
	2022	2021	2020
Net sales	\$ 15,616	\$ 16,670	\$ 13,800
Cost of goods sold and occupancy expenses	10,257	10,033	9,095
Gross profit	5,359	6,637	4,705
Operating expenses	5,428	5,827	5,567
Operating income (loss)	(69)	810	(862)
Loss on extinguishment of debt	—	325	58
Interest expense	88	167	192
Interest income	(18)	(5)	(10)
Income (loss) before income taxes	(139)	323	(1,102)
Income tax expense (benefit)	63	67	(437)
Net income (loss)	\$ (202)	\$ 256	\$ (665)
Weighted-average number of shares—basic	367	376	374
Weighted-average number of shares—diluted	367	383	374
Earnings (loss) per share—basic	\$ (0.55)	\$ 0.68	\$ (1.78)
Earnings (loss) per share—diluted	\$ (0.55)	\$ 0.67	\$ (1.78)

See Accompanying Notes to Consolidated Financial Statements

THE GAP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(\$ in millions)	Fiscal Year		
	2022	2021	2020
Net income (loss)	\$ (202)	\$ 256	\$ (665)
Other comprehensive income (loss), net of tax:			
Foreign currency translation	14	9	(17)
Change in fair value of derivative financial instruments, net of tax expense (tax benefit) of \$—, \$—, and \$(1)	27	8	(3)
Reclassification adjustments on derivative financial instruments, net of (tax expense) tax benefit of \$(2), \$3, and \$(2)	(31)	12	(11)
Other comprehensive income (loss), net of tax	10	29	(31)
Comprehensive income (loss)	\$ (192)	\$ 285	\$ (696)

See Accompanying Notes to Consolidated Financial Statements

THE GAP, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
(\$ and shares in millions except per share amounts)	Shares	Amount				
Balance as of February 1, 2020	371	\$ 19	\$ —	\$ 3,257	\$ 40	\$ 3,316
Net loss				(665)		(665)
Other comprehensive loss, net of tax						
Foreign currency translation					(17)	(17)
Change in fair value of derivative instruments					(3)	(3)
Amounts reclassified from accumulated other comprehensive income					(11)	(11)
Issuance of common stock related to stock options and employee stock purchase plans	2	—	22			22
Issuance of common stock and withholding tax payments related to vesting of stock units	1	—	(9)			(9)
Share-based compensation, net of forfeitures			72			72
Common stock dividends declared (\$0.2425 per share) (1)				(91)		(91)
Balance as of January 30, 2021	374	19	85	2,501	9	2,614
Net income				256		256
Other comprehensive income, net of tax						
Foreign currency translation					9	9
Change in fair value of derivative instruments					8	8
Amounts reclassified from accumulated other comprehensive income					12	12
Repurchases and retirement of common stock	(9)	—	(201)			(201)
Issuance of common stock related to stock options and employee stock purchase plans	3	—	54			54
Issuance of common stock and withholding tax payments related to vesting of stock units	3	—	(36)			(36)
Share-based compensation, net of forfeitures			141			141
Common stock dividends declared and paid (\$0.36 per share)				(135)		(135)
Balance as of January 29, 2022	371	19	43	2,622	38	2,722
Net loss				(202)		(202)
Other comprehensive income (loss), net of tax						
Foreign currency translation					14	14
Change in fair value of derivative instruments					27	27
Amounts reclassified from accumulated other comprehensive income					(31)	(31)
Repurchases and retirement of common stock	(11)	(1)	(62)	(60)		(123)
Issuance of common stock related to stock options and employee stock purchase plans	3	—	27			27
Issuance of common stock and withholding tax payments related to vesting of stock units	3	—	(20)			(20)
Share-based compensation, net of forfeitures			39			39
Common stock dividends declared and paid (\$0.60 per share)				(220)		(220)
Balance as of January 28, 2023	366	\$ 18	\$ 27	\$ 2,140	\$ 48	\$ 2,233

(1) On March 4, 2020, the Company declared a first quarter fiscal year 2020 dividend of \$0.2425 per share. The dividend payable amount was estimated based upon the shareholders of record as of January 30, 2021. The dividend was paid on April 28, 2021 to shareholders of record at the close of business on April 7, 2021.

See Accompanying Notes to Consolidated Financial Statements

THE GAP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$ in millions)	Fiscal Year		
	2022	2021	2020
Cash flows from operating activities:			
Net income (loss)	\$ (202)	\$ 256	\$ (665)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	540	504	507
Share-based compensation	37	139	77
Impairment of operating lease assets	33	8	391
Impairment of store assets	18	1	135
Impairment of intangible asset	—	—	31
Loss on extinguishment of debt	—	325	58
Amortization of debt issuance costs	6	14	12
Non-cash and other items	(16)	31	—
Loss on divestiture activity	35	59	—
Gain on sale of building	(83)	—	—
Deferred income taxes	42	(61)	(137)
Changes in operating assets and liabilities:			
Merchandise inventory	554	(593)	(305)
Other current assets and other long-term assets	161	(42)	64
Accounts payable	(540)	186	564
Accrued expenses and other current liabilities	(243)	172	(14)
Income taxes payable, net of receivables and other tax-related items	417	(85)	(304)
Other long-term liabilities	(45)	(3)	12
Operating lease assets and liabilities, net	(107)	(102)	(189)
Net cash provided by operating activities	607	809	237
Cash flows from investing activities:			
Purchases of property and equipment	(685)	(694)	(392)
Net proceeds from sale of buildings	458	—	—
Purchases of short-term investments	—	(753)	(508)
Proceeds from sales and maturities of short-term investments	—	1,162	388
Payments for acquisition activity, net of cash acquired	—	(135)	—
Net cash paid for divestiture activity	—	(21)	—
Other	—	(5)	2
Net cash used for investing activities	(227)	(446)	(510)
Cash flows from financing activities:			
Proceeds from revolving credit facility	350	—	500
Payments for revolving credit facility	—	—	(500)
Proceeds from issuance of long-term debt	—	1,500	2,250
Payments to extinguish debt	—	(2,546)	(1,307)
Payments for debt issuance costs	(6)	(16)	(61)
Proceeds from issuances under share-based compensation plans	27	54	22
Withholding tax payments related to vesting of stock units	(20)	(36)	(9)
Repurchases of common stock	(123)	(201)	—
Cash dividends paid	(220)	(226)	—
Other	(2)	—	—
Net cash provided by (used for) financing activities	6	(1,471)	895
Effect of foreign exchange rate fluctuations on cash, cash equivalents, and restricted cash	(15)	(6)	13
Net increase (decrease) in cash, cash equivalents, and restricted cash	371	(1,114)	635
Cash, cash equivalents, and restricted cash at beginning of period	902	2,016	1,381
Cash, cash equivalents, and restricted cash at end of period	\$ 1,273	\$ 902	\$ 2,016
Non-cash investing activities:			
Purchases of property and equipment not yet paid at end of period	\$ 55	\$ 124	\$ 60
Supplemental disclosure of cash flow information:			
Cash paid for interest during the period	\$ 76	\$ 180	\$ 145
Cash paid for income taxes during the period, net of refunds	\$ (388)	\$ 215	\$ 20
Cash paid for operating lease liabilities	\$ 942	\$ 1,061	\$ 1,096

See Accompanying Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

For the Fiscal Years Ended January 28, 2023, January 29, 2022, and January 30, 2021

Note 1. Organization and Summary of Significant Accounting Policies

Organization

The Gap, Inc., a Delaware corporation, is a collection of purpose-led, lifestyle brands offering apparel, accessories, and personal care products for men, women, and children. As of January 28, 2023, we had Company-operated stores in the United States, Canada, Japan, China, and Taiwan. Our products are available to customers online through Company-owned websites and through third party arrangements. We also have franchise agreements to operate Old Navy, Gap, Banana Republic, and Athleta stores and websites in about 40 countries around the world.

In fiscal 2022, we signed agreements to transition our Gap Greater China operations to a third party, Baozun, to operate Gap Greater China stores and the in-market website as a franchise partner. On January 31, 2023, the Gap China transaction closed with Baozun. The Gap Taiwan operations will continue to operate as usual until regulatory approvals and closing conditions are met.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of The Gap, Inc. and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated.

Fiscal Year and Presentation

Our fiscal year is a 52-week or 53-week period ending on the Saturday closest to January 31. The fiscal years ended January 28, 2023 (fiscal 2022), January 29, 2022 (fiscal 2021), and January 30, 2021 (fiscal 2020) consisted of 52 weeks. The fiscal year ending February 3, 2024 (fiscal 2023) will consist of 53 weeks.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Additionally, these estimates and assumptions may change as a result of the impact of global economic conditions such as the uncertainty regarding global inflationary pressures, the COVID-19 pandemic, and the Russia-Ukraine crisis. We will continue to consider the impact of the global economic conditions on the assumptions and estimates used when preparing these Consolidated Financial Statements. Examples include, but are not limited to, assumptions and estimates used for inventory valuation, income taxes and valuation allowances, sales return and bad debt allowances, and the impairment of long-lived assets. If the global economic conditions worsen beyond what is currently estimated by management, such future changes may have an adverse impact on the Company's results of operations and financial position.

Cash and Cash Equivalents

Cash includes funds deposited in banks and amounts in transit from banks for customer credit card and debit card transactions that process in less than seven days.

All highly liquid investments with original maturities of three months or less at the time of purchase are classified as cash equivalents. We value these investments at their original purchase prices plus interest that has accrued at the stated rate. Our cash equivalents are placed primarily in time deposits. Income related to these securities is recorded within interest income on the Consolidated Statements of Operations.

Restricted Cash

Any cash that is legally restricted from use is classified as restricted cash. If the purpose of restricted cash is related to acquiring a long-term asset, liquidating a long-term liability, or is otherwise unavailable for a period longer than one year from the balance sheet date, the restricted cash is included within other long-term assets on our Consolidated Balance Sheets. Otherwise, restricted cash is included within other current assets on our Consolidated Balance Sheets.

As of January 28, 2023, January 29, 2022, and January 30, 2021, restricted cash primarily includes consideration that serves as collateral for certain obligations occurring in the normal course of business and our insurance obligations. The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported on our Consolidated Balance Sheets to the total shown on our Consolidated Statements of Cash Flows:

(\$ in millions)	January 28, 2023	January 29, 2022	January 30, 2021
Cash and cash equivalents	\$ 1,215	\$ 877	\$ 1,988
Restricted cash included in other current assets	32	—	4
Restricted cash included in other long-term assets	26	25	24
Total cash, cash equivalents, and restricted cash shown on the Consolidated Statement of Cash Flows	<u>\$ 1,273</u>	<u>\$ 902</u>	<u>\$ 2,016</u>

Merchandise Inventory

We value inventory at the LCNRV, with cost determined using the weighted-average cost method. We record an adjustment to inventory when future estimated selling price is less than cost. We review our inventory levels in order to identify slow-moving merchandise and broken assortments (items no longer in stock in a sufficient range of sizes or colors) and we primarily use promotions and markdowns to clear merchandise. In addition, we estimate and accrue shortage for the period between the last physical count and the balance sheet date.

Property and Equipment

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives are as follows:

<u>Category</u>	<u>Term</u>
Leasehold improvements	Shorter of remaining lease term or economic life, up to 15 years
Furniture and equipment	Up to 10 years
Software	Up to 7 years
Buildings and building improvements	Up to 39 years

When assets are sold or retired, the cost and related accumulated depreciation are removed from the accounts, with any resulting gain or loss recorded within operating expenses on the Consolidated Statements of Operations. Costs of maintenance and repairs are expensed as incurred. Costs incurred to implement cloud computing arrangements hosted by third party vendors are capitalized when incurred during the application development phase and amortized on a straight-line basis over the contractual term of the cloud computing arrangement. Capitalized amounts related to such arrangements are recorded within other current assets and other long-term assets on our Consolidated Balance Sheets and were not material for fiscal 2022, 2021, or 2020.

Leases

We determine if a long-term contractual obligation is a lease at inception. The majority of our operating leases relate to Company stores. We also lease some of our corporate facilities and distribution centers. These operating leases expire at various dates through fiscal 2048. Most store leases have a five-year base period and include options that allow us to extend the lease term beyond the initial base period, subject to terms agreed upon at lease inception. Some leases also include early termination options, which can be exercised under specific conditions. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

We record our lease liabilities at the present value of the lease payments not yet paid, discounted at the rate of interest that the Company would have to pay to borrow on a collateralized basis over a similar term. As the Company's leases do not provide an implicit interest rate, the Company uses an incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments.

We recognize operating lease cost over the estimated term of the lease, which includes options to extend lease terms that are reasonably certain of being exercised, starting when possession of the property is taken from the landlord, which normally includes a construction period prior to the store opening. When a lease contains a predetermined fixed escalation of the fixed rent, we recognize the related operating lease cost on a straight-line basis over the lease term. In addition, certain of our lease agreements include variable lease payments, such as payments based on a percentage of sales that are in excess of a predetermined level and/or increases based on a change in the consumer price index or fair market value. These variable lease payments are excluded from minimum lease payments and are included in the determination of net lease cost when it is probable that the expense has been incurred and the amount can be reasonably estimated. If an operating lease asset is impaired, the remaining operating lease asset will be amortized on a straight-line basis over the remaining lease term.

See Note 12 of Notes to Consolidated Financial Statements for related disclosures.

Revenue Recognition

The Company's revenues primarily include merchandise sales at stores, online, and through franchise and licensing agreements. We also receive revenue sharing from our credit card agreement for private label and co-branded credit cards, and breakage revenue related to our gift cards, credit vouchers, and outstanding loyalty points, which are realized based upon historical redemption patterns. For online sales, the Company has elected to treat shipping and handling as fulfillment activities and not a separate performance obligation. Accordingly, we recognize revenue for our single performance obligation related to online sales at the time control of the merchandise passes to the customer, which is generally at the time of shipment. We also record an allowance for estimated merchandise returns based on our historical return patterns and various other assumptions that management believes to be reasonable, which is presented on a gross basis on our Consolidated Balance Sheets. Revenues are presented net of any taxes collected from customers and remitted to governmental authorities.

We have credit card agreements with third parties to provide our customers with private label credit cards and co-branded credit cards (collectively, the "Credit Card programs"). Each private label credit card bears the logo of Gap, Banana Republic, Old Navy, or Athleta and can be used at any of our U.S. store locations and online. The current co-branded credit card is a MasterCard credit card bearing the logo of Gap, Banana Republic, Old Navy, or Athleta and can be used everywhere MasterCard credit cards are accepted. The Credit Card programs are a part of Gap Inc.'s loyalty program where members enjoy incentives in the form of rewards which can be redeemed across all of our purpose-led brands.

During fiscal 2022, the Company launched a new long-term credit card program with Barclays that replaced our prior credit card program with Synchrony Financial. Barclays, a third-party financial institution, is the sole owner of the accounts and underwrites the credit issued under the Credit Card programs. Our agreement with Barclays provides for certain payments to be made to us, including a share of revenue from the performance of the credit card portfolios and reimbursements of loyalty program discounts. We have identified separate performance obligations related to our credit card agreement that includes both providing a license and an obligation to redeem loyalty points issued under the loyalty rewards program. Our obligation to provide a license is satisfied when the subsequent sale or usage occurs and our obligation to redeem loyalty points is deferred until those loyalty points are redeemed. Income related to our credit card agreement is classified within net sales on our Consolidated Statements of Operations. In conjunction with entering into our agreement with Barclays, the Company also entered into a corresponding agreement with MasterCard for co-branded cards that replaced our prior agreement with Visa.

We defer revenue when cash payments are received in advance of performance for unsatisfied obligations related to our gift cards, credit vouchers, outstanding loyalty points, and reimbursements of loyalty program discounts associated with our credit card agreement.

We also have franchise agreements to operate Old Navy, Gap, Banana Republic, and Athleta in a number of countries throughout Asia, Europe, Latin America, the Middle East, and Africa. Under these agreements, third parties operate, or will operate, stores and websites that sell apparel and related products under our brand names. We have identified separate performance obligations related to our franchise agreements that include both providing our franchise partners with a license and an obligation to supply franchise partners with our merchandise. Our obligation to provide a license is satisfied when the subsequent sale or usage occurs and our obligation to supply franchise partners with our merchandise is satisfied when control of the merchandise transfers.

See Note 3 of Notes to Consolidated Financial Statements for related disclosures.

Classification of Expenses

Cost of goods sold and occupancy expenses include the following:

- the cost of merchandise;
- inventory shortage and valuation adjustments;
- freight charges;
- online shipping and packaging costs;
- cost associated with our sourcing operations, including payroll, benefits, and other administrative expenses;
- lease and other occupancy related cost, depreciation, and amortization related to our store operations, distribution centers, information technology, and certain corporate functions; and
- gains and losses associated with foreign currency derivative contracts used to hedge forecasted merchandise purchases and related costs denominated in U.S. dollars made by our international subsidiaries whose functional currencies are their local currencies.

Operating expenses include the following:

- payroll, benefits, and other administrative expenses for our store operations, field management, and distribution centers;
- payroll, benefits, and other administrative expenses for our corporate functions, including product design and development;
- marketing;
- information technology expenses and maintenance costs;
- lease and other occupancy related cost, depreciation, and amortization for our corporate facilities;
- research and development expenses;

- gains and losses associated with foreign currency derivative contracts not designated as hedging instruments;
- third party credit card processing fees; and
- other expenses (income).

Payroll, benefits, and other administrative expenses for our distribution centers recorded within operating expenses were \$386 million, \$379 million, and \$358 million in fiscal 2022, 2021, and 2020, respectively. Research and development costs described in Accounting Standards Codification ("ASC") No. 730 are expensed as incurred. These costs primarily consist of payroll and related benefits attributable to time spent on research and development activities for new innovative products and technological improvements for existing products and process innovation. Research and development expenses recorded within operating expenses under ASC 730 were \$46 million, \$41 million, and \$46 million in fiscal 2022, 2021, and 2020, respectively.

The classification of expenses varies across the apparel retail industry. Accordingly, our cost of goods sold and occupancy expenses and operating expenses may not be comparable to those of other companies.

Impairment of Long-Lived Assets

We review the carrying amount of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Events that result in an impairment review include a significant decrease in the operating performance of the long-lived asset, the decision to close a store, corporate facility, or distribution center or adverse changes in business climate. Long-lived assets are considered impaired if the carrying amount exceeds the estimated undiscounted future cash flows of the asset or asset group over the estimated remaining lease term. The asset group is defined as the lowest level for which identifiable cash flows are available and largely independent of the cash flows of other groups of assets, which for our retail and flagship stores is generally at the store level. The asset group is comprised of both property and equipment and operating lease assets. For impaired assets, we recognize a loss equal to the difference between the carrying amount of the asset or asset group and its estimated fair value, which is recorded within operating expenses on the Consolidated Statements of Operations. The estimated fair value of the asset or asset group is based on discounted future cash flows of the asset or asset group using a discount rate commensurate with the related risk. For operating lease assets, the Company determines the estimated fair value of the assets by discounting the estimated market rental rates using available valuation techniques.

See Note 8 of Notes to Consolidated Financial Statements for related disclosures.

Impairment of Goodwill and Intangible Assets

We review the carrying amount of goodwill and other indefinite-lived intangible assets for impairment annually in the fourth quarter of the fiscal year and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Events that result in an impairment review include significant changes in the business climate, declines in our operating results, or an expectation that the carrying amount may not be recoverable. We assess potential impairment by considering present economic conditions as well as future expectations. If goodwill is considered impaired, we recognize a loss equal to the difference between the carrying amount and the estimated fair value of the reporting unit.

A trade name is considered impaired if the carrying amount exceeds its estimated fair value. If a trade name is considered impaired, we recognize a loss equal to the difference between the carrying amount and the estimated fair value of the trade name. The fair value of a trade name is determined using the relief from royalty method, which requires management to make assumptions and to apply judgment, including forecasting future sales, and selecting appropriate discount rates and royalty rates.

Goodwill and other indefinite-lived intangible assets, including the trade names, are recorded within other long-term assets on the Consolidated Balance Sheets.

See Note 6 of Notes to Consolidated Financial Statements for related disclosures.

Advertising

Costs associated with the production of advertising, such as writing, copy, printing, and other costs, are expensed as incurred. Costs associated with communicating advertising that has been produced, such as television and magazine costs, are expensed when the advertising event takes place. Advertising expense was \$1,039 million, \$1,115 million, and \$816 million in fiscal 2022, 2021, and 2020, respectively, and is recorded within operating expenses on the Consolidated Statements of Operations.

Share-Based Compensation

Share-based compensation expense for stock options and other stock awards is determined based on the grant-date fair value. We use the Black-Scholes-Merton option-pricing model to determine the fair value of stock options, which requires the input of subjective assumptions regarding the expected term, expected volatility, dividend yield, and risk-free interest rate. For units granted whereby one share of common stock is issued for each unit as the unit vests ("Stock Units"), the fair value is determined either based on the Company's stock price on the date of grant less future expected dividends during the vesting period or a Monte Carlo method for certain Stock Units granted with a market condition. For stock options and Stock Units, we recognize share-based compensation cost over the vesting period. We account for forfeitures as they occur. Share-based compensation expense is recorded primarily within operating expenses on the Consolidated Statements of Operations.

See Note 11 of Notes to Consolidated Financial Statements for related disclosures.

Foreign Currency

Our international subsidiaries primarily use local currencies as their functional currency and translate their assets and liabilities at the current rate of exchange in effect at the balance sheet date. Revenue and expenses from their operations are translated using rates that approximate those in effect during the period in which the transactions occur. The resulting gains and losses from translation are recorded on the Consolidated Statements of Comprehensive Income (Loss) and in accumulated OCI on the Consolidated Statements of Stockholders' Equity. Transaction gains and losses resulting from intercompany balances of a long-term investment nature are also classified as accumulated OCI. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the local functional currency are recorded within operating expenses on the Consolidated Statements of Operations.

The aggregate transaction gains and losses recorded within operating expenses on the Consolidated Statements of Operations are as follows:

(\$ in millions)	Fiscal Year		
	2022	2021	2020
Foreign currency transaction gain (loss)	\$ (59)	\$ (18)	\$ 23
Realized and unrealized gain (loss) from certain derivative financial instruments	57	18	(15)
Net foreign exchange gain (loss)	<u>\$ (2)</u>	<u>\$ —</u>	<u>\$ 8</u>

Income Taxes

Deferred income taxes are recorded for temporary differences between the tax basis of assets and liabilities and their reported amounts on the Consolidated Financial Statements. A valuation allowance is established against deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Our income tax expense includes changes in our estimated liability for exposures associated with our various tax filing positions. At any point in time, many tax years are subject to or in the process of being audited by various taxing authorities. To the extent our estimates of settlements change or the final tax outcome of these matters is different from the amounts recorded, such differences will impact the income tax provision in the period in which such determinations are made.

The Company recognizes interest related to unrecognized tax benefits in interest expense and penalties related to unrecognized tax benefits in operating expenses on the Consolidated Statements of Operations.

The Company has made an accounting policy election to treat taxes due on the global intangible low-taxed income ("GILTI") of foreign subsidiaries as a current period expense.

Earnings per Share

Basic earnings per share is computed as net income (loss) divided by basic weighted-average number of common shares outstanding for the period. Diluted earnings per share is computed as net income divided by diluted weighted-average number of common shares outstanding for the period including common stock equivalents. During periods of net loss, the dilutive impact of outstanding options and awards is excluded from dilutive shares. Common stock equivalents consist of shares subject to share-based awards with exercise prices less than the average market price of our common stock for the period, to the extent their inclusion would be dilutive. Stock options, stock warrants, and other stock awards that contain performance conditions are not included in the calculation of common stock equivalents until such performance conditions have been achieved.

See Note 14 of Notes to Consolidated Financial Statements for related disclosures.

Recent Accounting Pronouncements

Except as noted below, the Company has considered all recent accounting pronouncements and concluded that there are no recent accounting pronouncements that may have a material impact on our Consolidated Financial Statements and disclosures, based on current information.

In April 2020, the Financial Accounting Standards Board ("FASB") provided guidance on accounting for rent concessions resulting from the COVID-19 pandemic. We considered the FASB's guidance regarding lease modifications as a result of the effects of the COVID-19 pandemic and elected to apply the temporary practical expedient to account for lease changes as variable rent unless an amendment results in a substantial change in the Company's lease obligations. The impact of applying the temporary practical expedient was not material to our Consolidated Financial Statements.

ASU No. 2022-04, Disclosure of Supplier Finance Program Obligations

In September 2022, the FASB issued accounting standards update ("ASU") No. 2022-04, Disclosure of Supplier Finance Program Obligations. The ASU is intended to enhance the transparency of the use of supplier finance programs by requiring additional disclosures about the program's nature and potential magnitude, including a rollforward of the obligations and activity during the period. The ASU does not affect the recognition, measurement, or financial statement presentation of supplier finance program obligations. The ASU is effective retrospectively for fiscal years and interim periods within those years beginning after December 15, 2022, except for the amendment on rollforward information, which is effective prospectively for fiscal years beginning after December 15, 2023. We are reviewing our supplier finance agreements to determine the impact to disclosures in our Consolidated Financial Statements.

Note 2. Additional Financial Statement Information

Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

(\$ in millions)	January 28, 2023	January 29, 2022
Cash (1)	\$ 1,200	\$ 850
Time deposits and bank certificates of deposit	15	27
Cash and cash equivalents	<u>\$ 1,215</u>	<u>\$ 877</u>

(1) Cash includes \$60 million and \$64 million of amounts in transit from banks for customer credit card and debit card transactions as of January 28, 2023 and January 29, 2022, respectively.

Other Current Assets

Other current assets consist of the following:

(\$ in millions)	January 28, 2023	January 29, 2022
Accounts receivable	\$ 340	\$ 399
Assets held for sale (1)	172	49
Prepaid income taxes and income taxes receivable (2)	150	491
Prepaid minimum rent and occupancy expenses	106	110
Right of return asset	46	49
Derivative financial instruments	11	16
Other	188	156
Other current assets	<u>\$ 1,013</u>	<u>\$ 1,270</u>

(1) The Company reclassified certain assets and liabilities as held for sale that are expected to be sold within the next twelve months. See Notes 17 and 18 of Notes to Consolidated Financial Statements for related disclosures.

(2) The decrease is primarily due to receipt of tax refunds during fiscal 2022 related to fiscal 2020 net operating loss carryback claims.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and consist of the following:

(\$ in millions)	January 28, 2023	January 29, 2022
Furniture and equipment	\$ 2,833	\$ 2,789
Leasehold improvements	2,270	2,487
Software	1,142	1,072
Land, buildings, and building improvements	1,103	1,416
Construction-in-progress	177	344
Property and equipment, at cost	7,525	8,108
Less: Accumulated depreciation	(4,837)	(5,071)
Property and equipment, net of accumulated depreciation	<u>\$ 2,688</u>	<u>\$ 3,037</u>

Depreciation expense for property and equipment was \$531 million, \$502 million, and \$505 million for fiscal 2022, 2021, and 2020, respectively.

Interest of \$7 million, \$7 million, and \$9 million related to assets under construction was capitalized in fiscal 2022, 2021, and 2020, respectively.

See Note 8 of Notes to Consolidated Financial Statements for information regarding impairment charges.

Other Long-Term Assets

Other long-term assets consist of the following:

(\$ in millions)	January 28, 2023	January 29, 2022
Long-term income tax-related assets	\$ 480	\$ 444
Goodwill	207	207
Trade names	54	54
Intangible assets subject to amortization, net of accumulated amortization	27	36
Other	140	143
Other long-term assets	<u>\$ 908</u>	<u>\$ 884</u>

See Notes 5 and 6 of Notes to Consolidated Financial Statements for additional disclosures on goodwill and other intangible assets.

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following:

(\$ in millions)	January 28, 2023	January 29, 2022
Deferred revenue	\$ 354	\$ 345
Accrued compensation and benefits	243	477
Liabilities held for sale (1)	126	—
Sales return allowance	84	97
Accrued advertising	44	62
Accrued interest	22	21
Derivative financial instruments	20	2
Other	326	363
Accrued expenses and other current liabilities	<u>\$ 1,219</u>	<u>\$ 1,367</u>

(1) The Company reclassified certain assets and liabilities as held for sale that are expected to be sold within the next twelve months. See Note 17 of Notes to Consolidated Financial Statements for related disclosures.

Other Long-Term Liabilities

Other long-term liabilities consist of the following:

(\$ in millions)	January 28, 2023	January 29, 2022
Long-term income tax-related liabilities	\$ 327	\$ 198
Long-term asset retirement obligations (1)	38	48
Long-term deferred rent and tenant allowances	27	34
Other	152	165
Other long-term liabilities	<u>\$ 544</u>	<u>\$ 445</u>

(1) The net activity related to asset retirement obligations includes adjustments to the asset retirement obligation balance and fluctuations in foreign currency exchange rates.

Note 3. Revenue

Disaggregation of Net Sales

We disaggregate our net sales between stores and online and also by brand and region. Net sales by region are allocated based on the location of the store where the customer paid for and received the merchandise or the distribution center or store from which the products were shipped.

Net sales disaggregated for stores and online sales for fiscal 2022, 2021, and 2020 are as follows:

(\$ in millions)	Fiscal Year		
	2022	2021	2020
Store sales (1)	\$ 9,651	\$ 10,239	\$ 7,522
Online sales (2)	5,965	6,431	6,278
Total net sales	\$ 15,616	\$ 16,670	\$ 13,800

(1) Store sales primarily include sales made at our Company-operated stores and franchise sales. Fiscal 2020 store sales were negatively impacted by the COVID-19 pandemic.

(2) Online sales primarily include sales originating from our online channel including those that are picked up or shipped from stores and net sales from revenue-generating strategic initiatives.

Net sales disaggregated by brand and region are as follows:

(\$ in millions)						
Fiscal 2022	Old Navy Global	Gap Global	Banana Republic Global	Athleta Global	Other (2)	Total
U.S. (1)	\$ 7,471	\$ 2,461	\$ 1,829	\$ 1,428	\$ 12	\$ 13,201
Canada	679	332	192	33	—	1,236
Europe	2	198	5	4	—	209
Asia	1	606	65	—	—	672
Other regions	81	177	25	15	—	298
Total	\$ 8,234	\$ 3,774	\$ 2,116	\$ 1,480	\$ 12	\$ 15,616

(\$ in millions)						
Fiscal 2021	Old Navy Global	Gap Global	Banana Republic Global	Athleta Global	Other (3)	Total
U.S. (1)	\$ 8,272	\$ 2,608	\$ 1,703	\$ 1,432	\$ 102	\$ 14,117
Canada	713	349	178	12	—	1,252
Europe	2	328	8	2	—	340
Asia	2	658	70	—	—	730
Other regions	93	120	17	1	—	231
Total	\$ 9,082	\$ 4,063	\$ 1,976	\$ 1,447	\$ 102	\$ 16,670

(\$ in millions)						
Fiscal 2020	Old Navy Global	Gap Global	Banana Republic Global	Athleta Global	Other (3)	Total
U.S. (1)	\$ 6,898	\$ 2,099	\$ 1,242	\$ 1,135	\$ 276	\$ 11,650
Canada	578	261	130	—	3	972
Europe	—	319	10	—	—	329
Asia	4	642	64	—	—	710
Other regions	56	67	16	—	—	139
Total	\$ 7,536	\$ 3,388	\$ 1,462	\$ 1,135	\$ 279	\$ 13,800

(1) U.S. includes the United States and Puerto Rico. Fiscal 2020 results also include Guam.

(2) Primarily consists of net sales from revenue-generating strategic initiatives.

(3) Primarily consists of net sales for the Intermix and Janie and Jack brands, as well as other revenue-generating strategic initiatives. The divestiture of Janie and Jack was completed on April 8, 2021. The divestiture of Intermix was completed on May 21, 2021. Fiscal 2020 results also include results from the Hill City brand, which was closed in January 2021.

Deferred Revenue

We defer revenue when cash payments are received in advance of performance for unsatisfied obligations related to our gift cards, licensing agreements, outstanding loyalty points, and reimbursements of loyalty program discounts associated with our credit card agreement. For fiscal 2022, the opening balance of deferred revenue for these obligations was \$345 million, of which \$241 million was recognized as revenue during the period. The closing balance of deferred revenue for these obligations was \$354 million as of January 28, 2023.

For fiscal 2021, the opening balance of deferred revenue for these obligations was \$231 million, of which \$157 million was recognized as revenue during the period. The closing balance of deferred revenue for these obligations was \$345 million as of January 29, 2022.

The increase in the revenue recognition during the 52 weeks ended January 28, 2023 is primarily due to our integrated loyalty program across the U.S. and Puerto Rico, which launched in July 2021 and allows for faster accumulation and redemption of rewards.

In April 2021, the Company entered into agreements with Barclays and Mastercard relating to a new long-term credit card program. In May 2022, the Company launched the new long-term credit card program with Barclays and Mastercard and accordingly, our prior credit card program with Synchrony Financial was discontinued. The Company received an upfront payment of \$60 million related to the new agreements prior to the program launch, which is being recognized as revenue over the term of the agreements.

Note 4. Income Taxes

For financial reporting purposes, components of income (loss) before income taxes are as follows:

(\$ in millions)	Fiscal Year		
	2022	2021	2020
United States	\$ (280)	\$ 217	\$ (928)
Foreign	141	106	(174)
Income (loss) before income taxes	<u>\$ (139)</u>	<u>\$ 323</u>	<u>\$ (1,102)</u>

The tax expense (benefit) for income taxes consists of the following:

(\$ in millions)	Fiscal Year		
	2022	2021	2020
Current:			
Federal	\$ (35)	\$ 46	\$ (337)
State	6	38	(21)
Foreign	50	44	58
Total current	<u>21</u>	<u>128</u>	<u>(300)</u>
Deferred:			
Federal	24	(50)	(94)
State	15	(23)	(56)
Foreign	3	12	13
Total deferred	<u>42</u>	<u>(61)</u>	<u>(137)</u>
Total tax expense (benefit)	<u>\$ 63</u>	<u>\$ 67</u>	<u>\$ (437)</u>

The difference between the effective tax rate and the U.S. federal statutory tax rate is as follows:

	Fiscal Year		
	2022	2021	2020
Federal statutory tax rate	21.0 %	21.0 %	21.0 %
State and local income taxes, net of federal benefit	(13.7)	5.3	4.7
Tax impact of foreign operations	(28.1)	(2.5)	1.4
Impact of the CARES Act of 2020	—	(5.6)	11.1
Valuation Allowances (1)	(3.6)	7.4	(12.1)
Impact of divestiture activity	(21.6)	(6.4)	—
Impact of legal entity structure changes	—	—	13.4
Other	0.7	1.5	0.2
Effective tax rate	(45.3)%	20.7 %	39.7 %

(1) Beginning in fiscal 2022, we have made a change for all periods presented to separately disclose valuation allowances as its own line item. Previously, the impact of valuation allowances were grouped within various line items in fiscal 2021 and fiscal 2020.

During fiscal 2022, we recorded a \$37 million expense related to foreign divestiture activity.

On March 27, 2020, the CARES Act was signed into law in the United States. The CARES Act includes certain provisions that affect our income taxes, including temporary five-year net operating loss carryback provisions, modifications to the interest deduction limitations, and the technical correction for depreciation of qualified leasehold improvements.

During fiscal 2021, we recorded a \$18 million benefit related to finalization of the net operating loss carryback provisions prescribed in the CARES Act. We also recorded a \$21 million benefit related to recognition of certain tax benefits associated with divestiture activity.

During fiscal 2020, we recorded a \$122 million benefit related to the CARES Act. We also recorded a \$113 million benefit related to recognition of certain tax benefits associated with foreign entity structure changes.

Deferred tax assets (liabilities) consist of the following:

(\$ in millions)	January 28, 2023	January 29, 2022
Gross deferred tax assets:		
Operating lease liabilities	\$ 1,126	\$ 1,277
Accrued payroll and related benefits	44	111
Accruals	180	192
Inventory capitalization and other adjustments	93	67
Deferred income	51	44
Federal, state, and foreign net operating losses	290	260
Other	95	120
Total gross deferred tax assets	1,879	2,071
Valuation allowance	(369)	(377)
Total deferred tax assets, net of valuation allowance	1,510	1,694
Deferred tax liabilities:		
Depreciation and amortization	(246)	(265)
Operating lease assets	(881)	(1,000)
Unremitted earnings of certain foreign subsidiaries	(1)	(1)
Unrealized net gain on cash flow hedges	(1)	(3)
Other	(10)	(11)
Total deferred tax liabilities	(1,139)	(1,280)
Net deferred tax assets	\$ 371	\$ 414

As of January 28, 2023, we had approximately \$67 million of federal, \$1,133 million of state and \$950 million of foreign loss carryovers in multiple taxing jurisdictions that could be utilized to reduce tax liabilities of future years. We also had approximately \$18 million of foreign tax credit carryovers as of January 28, 2023.

Approximately \$67 million of federal losses do not expire. Approximately \$876 million of state losses expire between fiscal 2023 and fiscal 2042, and \$257 million of the state losses do not expire. Approximately \$392 million of the foreign losses expire between fiscal 2023 and fiscal 2042, and \$558 million of the foreign losses do not expire. The foreign tax credits begin to expire in fiscal 2023.

A valuation allowance is recorded if, based on the assessment of available evidence, it is more likely than not that some portion, or all, of the deferred tax asset will not be realized. Management must analyze all available positive and negative evidence regarding realization of the deferred tax assets and make an assessment of the likelihood of sufficient future taxable income. We have provided a valuation allowance of \$369 million on certain federal, state, and foreign deferred tax assets that were not deemed realizable based upon estimates of future taxable income.

The activity related to our unrecognized tax benefits is as follows:

(\$ in millions)	Fiscal Year		
	2022	2021	2020
Balance at beginning of fiscal year	\$ 359	\$ 340	\$ 152
Increases related to current year tax positions	11	26	165
Prior year tax positions:			
Increases	1	7	40
Decreases	(24)	(9)	(4)
Lapse of Statute of Limitations	—	(1)	(1)
Cash settlements	(2)	(2)	(14)
Foreign currency translation	(1)	(2)	2
Balance at end of fiscal year	\$ 344	\$ 359	\$ 340

Of the \$344 million, \$359 million, and \$340 million of total unrecognized tax benefits as of January 28, 2023, January 29, 2022, and January 30, 2021, respectively, approximately \$326 million, \$339 million, and \$323 million, respectively, represents the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in future periods.

During fiscal 2022, 2021, and 2020, interest expense of \$12 million, \$6 million, and \$12 million, respectively, has been recognized on the Consolidated Statements of Operations relating to income tax liabilities.

As of January 28, 2023 and January 29, 2022, the Company had total accrued interest related to income tax liabilities of \$43 million and \$31 million, respectively. There were no accrued penalties related to income tax liabilities as of January 28, 2023 or January 29, 2022.

The Company conducts business globally, and as a result, files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. In the normal course of business, we are subject to examination by taxing authorities throughout the world, including such major jurisdictions as the United States, Canada, France, the United Kingdom, China, Hong Kong, Japan, and India. We are no longer subject to U.S. federal income tax examinations for fiscal years before 2009, and with few exceptions, we also are no longer subject to U.S. state, local, or non-U.S. income tax examinations for fiscal years before 2010.

The Company engages in continual discussions with taxing authorities regarding tax matters in the various U.S. and foreign jurisdictions in the normal course of business. As of January 28, 2023, it is reasonably possible that we will recognize a decrease in gross unrecognized tax benefits within the next 12 months of up to \$21 million, primarily due to the closing of settlements and audits, all of which could impact the effective tax rate, if recognized.

Note 5. Acquisitions

On August 26, 2021, the Company acquired Drapr Inc. ("Drapr"), a startup that powers 3D-fit technology and virtual fitting rooms. On October 1, 2021, the Company acquired Context-based 4 Casting Ltd. ("CB4"), an artificial intelligence and machine learning company.

The aggregate purchase price for the net assets was approximately \$147 million. The purchase price allocation included goodwill of \$108 million and intangible assets of \$39 million. The total purchase price was allocated to the net tangible and intangible assets acquired based on their estimated fair values. Such estimated fair values require management to make estimates and judgments, especially with respect to intangible assets. The purchase price allocation was finalized in fiscal 2022 with no material measurement period adjustments.

The intangible assets acquired primarily include technology and developed software and their estimated fair value will be amortized over the related useful lives.

The impact of the acquisitions on the Company's results of operations is not significant. The results of operations for Drapr and CB4 since the date of acquisitions were not material to the Consolidated Statements of Operations.

Note 6. Goodwill and Other Intangible Assets

The following goodwill and other intangible assets are included in other long-term assets on the Consolidated Balance Sheets:

(\$ in millions)	January 28, 2023	January 29, 2022
Goodwill	\$ 207	\$ 207
Trade names	\$ 54	\$ 54
Intangible assets subject to amortization	\$ 54	\$ 54
Less: Accumulated amortization	(27)	(18)
Intangible assets subject to amortization, net	\$ 27	\$ 36

As discussed in Note 5 of Notes to Consolidated Financial Statements, in fiscal 2021, we acquired intangible assets subject to amortization in connection with our acquisitions of Drapr and CB4. The intangible assets subject to amortization primarily consist of technology and developed software, which are being amortized over a useful life of approximately five years. The amortization expense for intangible assets subject to amortization recorded in operating expenses on the Consolidated Statements of Operations was \$9 million, \$2 million, and \$2 million for fiscal 2022, 2021, and 2020, respectively.

We did not recognize any impairment charges for goodwill in fiscal 2022, 2021, or 2020. We did not recognize any impairment charges for other intangible assets in fiscal 2022 or 2021.

See Note 8 of Notes to Consolidated Financial Statements for information regarding the impairment charge for intangible assets related to the Intermix trade name in fiscal 2020.

Note 7. Debt and Credit Facilities

Long-term debt recorded on the Consolidated Balance Sheets consists of the following:

(\$ in millions)	January 28, 2023	January 29, 2022
2029 Notes	\$ 750	\$ 750
2031 Notes	750	750
Less: Unamortized debt issuance costs	(14)	(16)
Total long-term debt	\$ 1,486	\$ 1,484

On September 27, 2021, we completed the issuance of \$1.5 billion aggregate principal amount of the Senior Notes at par in a private placement to qualified institutional buyers. We recorded \$16 million of debt issuance costs related to the issuance of the Senior Notes within long-term debt on the Consolidated Balance Sheet, which is being amortized through interest expense over the life of the instrument. The Company used the net proceeds from the offering of the Senior Notes, together with cash on hand, to complete tender offers and purchase an aggregate principal amount of \$1.9 billion of the Company's Secured Notes. On October 27, 2021, the Company redeemed the remaining outstanding Secured Notes that were not tendered in the tender offers and paid the related make-whole premiums. Our obligations under the Secured Notes were discharged following their redemption.

In conjunction with these transactions, in fiscal 2021, we incurred a loss on extinguishment of debt of \$325 million, which was recorded in the Consolidated Statement of Operations and primarily consisted of tender premiums of \$253 million, make-whole premiums of \$40 million, and unamortized debt issuance costs relating to the Secured Notes of \$28 million.

In June 2020, we redeemed \$1.25 billion aggregate principal amount of the Company's 2021 Notes. We incurred a loss on extinguishment of debt of \$58 million, primarily related to the make-whole premium, which was recorded on the Consolidated Statement of Operations. Following the redemption, our obligations under the 2021 Notes were discharged.

The scheduled maturity of the Senior Notes is as follows:

(\$ in millions)	Principal	Interest Rate	Interest Payments
October 1, 2029 (1)	\$ 750	3.625%	Semi-Annual
October 1, 2031 (2)	750	3.875%	Semi-Annual
Total issuance	\$ 1,500		

(1) Includes an option to redeem the 2029 Notes, in whole or in part at any time, subject to a make-whole premium, prior to October 1, 2024. On or after October 1, 2024, includes an option to redeem the 2029 Notes, in whole or in part at any time, at stated redemption prices.

(2) Includes an option to redeem the 2031 Notes, in whole or in part at any time, subject to a make-whole premium, prior to October 1, 2026. On or after October 1, 2026, includes an option to redeem the 2031 Notes, in whole or in part at any time, at stated redemption prices.

As of January 28, 2023, the aggregate estimated fair value of the Senior Notes was \$1.15 billion and was based on the quoted market prices for each of the Senior Notes (level 1 inputs) as of the last business day of the fiscal year. The aggregate principal amount of the Senior Notes is recorded in long-term debt on the Consolidated Balance Sheet, net of the unamortized debt issuance cost.

On May 7, 2020, we entered into the ABL Facility, which was previously scheduled to expire in May 2023. On July 13, 2022, we entered into an amendment and restatement of the ABL Facility. Among other changes, the amendment and restatement extended the maturity of the ABL Facility to July 2027, increased the borrowing capacity from \$1.8675 billion to \$2.2 billion, modified the reference rate from LIBOR to SOFR, and reduced the applicable interest rate margin. Following the amendment and restatement, the ABL Facility generally bears interest at a per annum rate based on SOFR (subject to a zero floor) plus a margin, depending on borrowing base availability. We recorded \$6 million of debt issuance costs related to the amendment and restatement of the ABL Facility, which will be amortized through interest expense over the term of the agreement. The ABL Facility is available for working capital, capital expenditures, and other general corporate purposes.

As of January 28, 2023, the Company's outstanding borrowing under the ABL Facility was \$350 million. The variable interest rate on the drawn amount is adjusted SOFR (calculated to include a 0.10% credit adjustment spread) plus a margin of 1.25%. The borrowing was recorded in long-term liabilities on the Consolidated Balance Sheet as of January 28, 2023.

We also have the ability to issue letters of credit on our ABL Facility. As of January 28, 2023, we had \$49 million in standby letters of credit issued under the ABL Facility.

The Senior Notes contain covenants that may limit the Company's ability to, among other things: (i) grant or incur liens and (ii) enter into sale and lease-back transactions. The Senior Notes are fully and unconditionally guaranteed on a senior unsecured basis, jointly and severally, by each of our existing wholly owned domestic subsidiaries that is a borrower or guarantor under our existing ABL Facility. These guarantees also extend to each of our future wholly owned domestic subsidiaries that is a borrower or guarantor under any credit facility of the Company, any guarantor, a guarantor of capital markets debt of the Company, or any guarantor in an aggregate principal amount in excess of a certain amount.

The ABL Facility is secured by specified U.S. and Canadian assets, including a first lien on inventory, certain receivables, and related assets. The ABL Facility contains customary covenants restricting the Company's activities, as well as those of its subsidiaries, including limitations on the ability to sell assets, engage in mergers or other fundamental changes, enter into capital leases or certain leases not in the ordinary course of business, enter into transactions involving related parties or derivatives, incur or prepay indebtedness, grant liens or negative pledges on its assets, make loans or other investments, pay dividends or repurchase stock or other securities, guarantee third-party obligations, engage in sale and lease-back transactions and make changes in its corporate structure. There are exceptions to these covenants, and some are only applicable when unused availability falls below specified thresholds. In addition, the ABL Facility includes, as a financial covenant, a springing fixed charge coverage ratio which arises when availability falls below a specified threshold.

We also maintain multiple agreements with third parties that make unsecured revolving credit facilities available for our operations in foreign locations (the “Foreign Facilities”). The Foreign Facilities are uncommitted and had a total capacity of \$22 million as of January 28, 2023. As of January 28, 2023, there were no borrowings under the Foreign Facilities. There were \$7 million in bank guarantees issued and outstanding primarily related to store leases under the Foreign Facilities as of January 28, 2023.

Following the closing of the Gap China transaction with Baozun on January 31, 2023, the respective Gap China credit facilities were terminated. See Note 17 of Notes to Consolidated Financial Statements for related disclosures.

Note 8. Fair Value Measurements

The Company measures certain financial assets and liabilities at fair value on a recurring basis, including derivatives. The Company categorizes financial assets and liabilities recorded at fair value based upon a three-level hierarchy that considers the related valuation techniques.

There were no material purchases, sales, issuances, or settlements related to recurring level 3 measurements during fiscal 2022 or 2021.

Financial Assets and Liabilities

Financial assets and liabilities measured at fair value on a recurring basis and cash equivalents held at amortized cost are as follows:

		Fair Value Measurements at Reporting Date Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
(\$ in millions)	January 28, 2023				
Assets:					
Cash equivalents	\$ 15	\$ —	\$ 15	\$ —	
Derivative financial instruments	11	—	11	—	
Deferred compensation plan assets	34	34	—	—	
Other assets	4	—	—	4	
Total	<u>\$ 64</u>	<u>\$ 34</u>	<u>\$ 26</u>	<u>\$ 4</u>	
Liabilities:					
Derivative financial instruments	\$ 20	\$ —	\$ 20	\$ —	

		Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(\$ in millions)	January 29, 2022			
Assets:				
Cash equivalents	\$ 27	\$ —	\$ 27	\$ —
Derivative financial instruments	16	—	16	—
Deferred compensation plan assets	40	40	—	—
Other assets	4	—	—	4
Total	\$ 87	\$ 40	\$ 43	\$ 4
Liabilities:				
Derivative financial instruments	\$ 2	\$ —	\$ 2	\$ —

We have highly liquid fixed and variable income investments classified as cash equivalents. We value these investments at their original purchase prices plus interest that has accrued at the stated rate. Our cash equivalents are placed primarily in time deposits.

Derivative financial instruments primarily include foreign exchange forward contracts. See Note 9 of Notes to Consolidated Financial Statements for information regarding currencies hedged against the U.S. dollar.

We maintain the Gap, Inc. Deferred Compensation Plan ("DCP"), which allows eligible employees to defer base compensation and bonus up to a maximum percentage, and non-employee directors to defer receipt of a portion of their Board fees. Plan investments are directed by participants and are recorded at market value and designated for the DCP. The fair value of the Company's DCP assets is determined based on quoted market prices, and the assets are recorded within other long-term assets on the Consolidated Balance Sheets.

See Note 13 of Notes to Consolidated Financial Statements for information regarding employee benefit plans.

Nonfinancial Assets

Long-lived assets, which for us primarily consist of store assets and operating lease assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The estimated fair value of the long-lived assets is based on discounted future cash flows of the asset or asset group using a discount rate commensurate with the risk. For operating lease assets, the Company determines the estimated fair value of the assets by comparing discounted contractual rent payments to estimated market rental rates using available valuation techniques. These fair value measurements qualify as level 3 measurements in the fair value hierarchy.

See Note 1 of Notes to Consolidated Financial Statements for further information regarding the impairment of long-lived assets.

We recorded the following long-lived asset impairment charges in operating expenses on the Consolidated Statements of Operations:

(\$ in millions)	Fiscal Year		
	2022	2021	2020
Operating lease assets (1)	\$ 33	\$ 8	\$ 391
Store assets (2)	18	1	135
Other indefinite-lived intangible assets (3)	—	—	31
Total impairment charges of long-lived and indefinite-lived assets	\$ 51	\$ 9	\$ 557

(1) The impairment charge reduced the then carrying amount of the applicable operating lease assets of \$248 million, \$24 million, and \$1,635 million to their fair value of \$215 million, \$16 million, and \$1,244 million during fiscal 2022, 2021, and 2020, respectively.

(2) The impairment charge reduced the then carrying amount of the applicable store assets of \$21 million, \$1 million, and \$143 million to their fair value of \$3 million, zero, and \$8 million during fiscal 2022, 2021, and 2020, respectively.

(3) The impairment charge reduced the then carrying amount of the Intermix trade name of \$38 million to its fair value of \$7 million during fiscal 2020.

In fiscal 2020, the impact of the COVID-19 pandemic resulted in a qualitative indication of impairment related to our store long-lived assets. For store locations, we analyzed our store asset recoverability. As a result, we recorded an impairment charge related to store assets and operating lease assets during fiscal 2020.

In the fourth quarter of fiscal 2020, we also performed a strategic review of the Intermix business which resulted in a qualitative indication of impairment related to our store long-lived assets. We recorded an impairment charge of Intermix store assets and operating lease assets of \$4 million and \$21 million, respectively, within operating expenses on the Consolidated Statement of Operations during fiscal 2020.

In addition, the Company performed a strategic review of the Intermix business in fiscal 2020 which resulted in a qualitative indication of impairment related to the Intermix trade name. During the fourth quarter of fiscal 2020, management updated the fiscal 2021 budget and financial projections beyond fiscal 2021, and we determined that it was more likely than not that the carrying value of the Intermix trade name exceeded its fair value as of the date of our annual impairment review.

The fair value of the Intermix trade name was determined using the relief from royalty method. The cash flows were then discounted to present value using the applicable discount rate and compared to the carrying value of the Intermix trade name. These fair value measurements qualify as level 3 measurements in the fair value hierarchy.

The Intermix trade name impairment test resulted in an impairment charge of \$31 million related to the Intermix trade name in fiscal 2020. This impairment charge was recorded within operating expenses on the Consolidated Statement of Operations during fiscal 2020.

In fiscal 2021, the Company completed the divestiture of its Intermix brand. See Note 17 of Notes to Consolidated Financial Statements for additional disclosures on the divestiture.

Note 9. Derivative Financial Instruments

We operate in foreign countries, which exposes us to market risk associated with foreign currency exchange rate fluctuations. We use derivative financial instruments to manage our exposure to foreign currency exchange rate risk and do not enter into derivative financial contracts for trading purposes. Consistent with our risk management guidelines, we hedge a portion of our transactions related to merchandise purchases for foreign operations and certain intercompany transactions using foreign exchange forward contracts. These contracts are entered into with large, reputable financial institutions that are monitored for counterparty risk. The currencies hedged against changes in the U.S. dollar are the Canadian dollar, Japanese yen, British pound, New Taiwan dollar, Mexican peso, and Euro. Cash flows from derivative financial instruments are classified as cash flows from operating activities on the Consolidated Statements of Cash Flows.

Derivative financial instruments are recorded at fair value on the Consolidated Balance Sheets as other current assets, other long-term assets, accrued expenses and other current liabilities, or other long-term liabilities.

Cash Flow Hedges

We designate foreign exchange forward contracts used to hedge forecasted merchandise purchases and related costs denominated in U.S. dollars made by our international subsidiaries whose functional currencies are their local currencies as cash flow hedges. The foreign exchange forward contracts entered into to hedge forecasted merchandise purchases and related costs generally have terms of up to 24 months. The effective portion of the gain or loss on the derivative financial instruments is reported as a component of other comprehensive income (loss) and is recognized into net income (loss) during the period in which the underlying transaction impacts the Consolidated Statements of Operations.

Other Derivatives Not Designated as Hedging Instruments

We use foreign exchange forward contracts to hedge our market risk exposure associated with foreign currency exchange rate fluctuations for certain intercompany balances denominated in currencies other than the functional currency of the entity with the intercompany balance. The gain or loss on the derivative financial instruments that represent economic hedges, as well as the remeasurement impact of the underlying intercompany balances, is recorded in operating expenses on the Consolidated Statements of Operations in the same period and generally offset each other.

Outstanding Notional Amounts

As of January 28, 2023 and January 29, 2022, we had foreign exchange forward contracts outstanding in the following notional amounts:

(\$ in millions)	January 28, 2023	January 29, 2022
Derivatives designated as cash flow hedges	\$ 441	\$ 524
Derivatives not designated as hedging instruments	645	702
Total	<u>\$ 1,086</u>	<u>\$ 1,226</u>

Quantitative Disclosures about Derivative Financial Instruments

The fair values of foreign exchange forward contracts are as follows:

(\$ in millions)	January 28, 2023	January 29, 2022
Derivatives designated as cash flow hedges:		
Other current assets	\$ 9	\$ 10
Accrued expenses and other current liabilities	5	—
Derivatives not designated as hedging instruments:		
Other current assets	2	6
Accrued expenses and other current liabilities	15	2
Total derivatives in an asset position	<u>\$ 11</u>	<u>\$ 16</u>
Total derivatives in a liability position	<u>\$ 20</u>	<u>\$ 2</u>

All of the unrealized gains and losses from designated cash flow hedges as of January 28, 2023 will be recognized in income (loss) within the next 12 months at the then-current values, which may differ from the fair values as of January 28, 2023 shown above.

Our foreign exchange forward contracts are subject to master netting arrangements with each of our counterparties and such arrangements are enforceable in the event of default or early termination of the contract. We do not elect to offset the fair values of our derivative financial instruments on the Consolidated Balance Sheets and as such the fair values shown above represent gross amounts. The amounts subject to enforceable master netting arrangements are not material for all periods presented.

See Note 8 of Notes to Consolidated Financial Statements for disclosures on the fair value measurements of our derivative financial instruments.

The pre-tax amounts recognized in net income (loss) related to derivative instruments are as follows:

(\$ in millions)	Location and Amount of (Gain) Loss Recognized in Income (Loss)					
	Fiscal Year 2022		Fiscal Year 2021		Fiscal Year 2020	
	Cost of goods sold and occupancy expenses	Operating expenses	Cost of goods sold and occupancy expenses	Operating expenses	Cost of goods sold and occupancy expenses	Operating expenses
Total amount of expense line items presented on the Consolidated Statements of Operations in which the effects of derivatives are recorded	\$ 10,257	\$ 5,428	\$ 10,033	\$ 5,827	\$ 9,095	\$ 5,567
(Gain) loss recognized in net income (loss):						
Derivatives designated as cash flow hedges	\$ (33)	\$ —	\$ 15	\$ —	\$ (13)	\$ —
Derivatives not designated as hedging instruments	—	(57)	—	(18)	—	15
Total (gain) loss recognized in net income (loss)	<u>\$ (33)</u>	<u>\$ (57)</u>	<u>\$ 15</u>	<u>\$ (18)</u>	<u>\$ (13)</u>	<u>\$ 15</u>

Note 10. Common Stock

Common and Preferred Stock

The Company is authorized to issue 2.3 billion shares of common stock. We are also authorized to issue 60 million shares of Class B common stock, which is convertible into shares of common stock on a share-for-share basis. Transfer of the Class B shares is restricted. In addition, the holders of the Class B common stock have six votes per share on most matters and are entitled to a lower cash dividend. No Class B shares have been issued as of January 28, 2023.

The Company is authorized to issue 30 million shares of one or more series of preferred stock, which has a par value of \$0.05 per share, and to establish at the time of issuance the issue price, dividend rate, redemption price, liquidation value, conversion features, and such other terms and conditions of each series (including voting rights) as the Board deems appropriate, without further action on the part of the stockholders. No preferred shares have been issued as of January 28, 2023.

Share Repurchases

Share repurchase activity is as follows:

(\$ and shares in millions except average per share cost)	Fiscal Year		
	2022	2021	2020
Number of shares repurchased (1)	11	9	—
Total cost	\$ 123	\$ 201	\$ —
Average per share cost including commissions	\$ 11.59	\$ 23.47	\$ —

(1) Excludes shares withheld to settle employee statutory tax withholding related to the vesting of stock units.

In February 2019, the Board approved a \$1.0 billion share repurchase authorization. The February 2019 repurchase program had \$476 million remaining as of January 28, 2023. All common stock repurchased is immediately retired.

Note 11. Share-Based Compensation

Share-based compensation expense is as follows:

(\$ in millions)	Fiscal Year		
	2022	2021	2020
Stock units	\$ 26	\$ 122	\$ 62
Stock options	7	13	12
Employee stock purchase plan	4	4	3
Share-based compensation expense	37	139	77
Less: Income tax benefit	(14)	(23)	(15)
Share-based compensation expense, net of tax	\$ 23	\$ 116	\$ 62

No material share-based compensation expense was capitalized in fiscal 2022, 2021, or 2020.

There were no material modifications made to our outstanding stock options and other stock awards in fiscal 2022, 2021, or 2020.

General Description of Stock Option and Other Stock Award Plans

The 2016 Long-Term Incentive Plan (the "2016 Plan") was amended and restated in May 2019 and further amended and restated in March 2020. The 2016 Plan was further amended and restated in May 2021. Under the 2016 Plan, nonqualified stock options and other stock awards are granted to officers, directors, eligible employees, and consultants at exercise prices or initial values equal to the fair market value of the Company's common stock at the date of grant or as determined by the Compensation and Management Development Committee of the Board.

As of January 28, 2023, there were 286,586,871 shares that have been authorized for issuance under the 2016 Plan.

Stock Units

Under the 2016 Plan, Stock Units are granted to employees and members of the Board. Vesting generally occurs over a period of three to four years of continued service by the employee in equal annual installments for the majority of the Stock Units granted. In some cases, Stock Unit vesting is also subject to the attainment of pre-determined performance metrics and/or the satisfaction of market conditions ("Performance Shares"). At the end of each reporting period, we evaluate the probability that the Performance Shares will vest. We record share-based compensation expense on an accelerated basis over a period of three to four years once granted, based on the grant-date fair value and the probability that the pre-determined performance metrics will be achieved. We use the Monte Carlo method to calculate the grant date fair value of Performance Shares containing a market condition. Based on the probability of our performance shares vesting, share-based compensation expense decreased in fiscal 2022 as compared with fiscal 2021.

A summary of Stock Unit activity under the 2016 Plan for fiscal 2022 is as follows:

	Shares	Weighted-Average Grant-Date Fair Value Per Share
Balance as of January 29, 2022	13,129,235	\$ 22.03
Granted	7,156,024	\$ 11.54
Granted, with vesting subject to performance and market conditions	3,612,861	\$ 12.66
Vested	(4,145,665)	\$ 20.06
Forfeited	(4,750,464)	\$ 19.01
Balance as of January 28, 2023	15,001,991	\$ 16.27

A summary of additional information about Stock Units is as follows:

(\$ in millions except per share amounts)	Fiscal Year		
	2022	2021	2020
Weighted-average fair value per share of Stock Units granted	\$ 11.92	\$ 31.28	\$ 11.22
Fair value of Stock Units vested	\$ 83	\$ 62	\$ 65

The aggregate intrinsic value of unvested Stock Units as of January 28, 2023 was \$198 million.

As of January 28, 2023, there was \$124 million (before any related tax benefit) of unrecognized share-based compensation expense related to unvested Stock Units, which is expected to be recognized over a weighted-average period of 1.9 years. Total unrecognized share-based compensation expense may be adjusted for future forfeitures as they occur.

Stock Options

We have stock options outstanding under the 2016 Plan. Stock options generally expire the earlier of 10 years from the grant date, three months after employee termination, or one year after the date of an employee's retirement or death. Vesting generally occurs over a period of four years of continued service by the employee, with 25 percent vesting on each of the four anniversary dates.

The fair value of stock options issued to employees during fiscal 2022, 2021, and 2020 was estimated on the date of grant using the following assumptions:

	Fiscal Year		
	2022	2021	2020
Expected term (in years)	4.6	4.5	4.5
Expected volatility	51.7 %	56.9 %	46.9 %
Dividend yield	4.0 %	1.8 %	1.6 %
Risk-free interest rate	2.5 %	0.6 %	0.4 %

A summary of stock option activity under the 2016 Plan for fiscal 2022 is as follows:

	Shares	Weighted-Average Exercise Price Per Share
Balance as of January 29, 2022	10,689,824	\$ 21.17
Granted	1,433,388	\$ 13.92
Exercised	(563,236)	\$ 7.41
Forfeited/Expired	(3,734,543)	\$ 21.35
Balance as of January 28, 2023	7,825,433	\$ 20.75

A summary of additional information about stock options is as follows:

(\$ in millions except per share amounts)	Fiscal Year		
	2022	2021	2020
Weighted-average fair value per share of stock options granted	\$ 4.66	\$ 12.35	\$ 3.28
Aggregate intrinsic value of stock options exercised	\$ 2	\$ 20	\$ —
Fair value of stock options vested	\$ 13	\$ 13	\$ 13

Information about stock options outstanding and exercisable as of January 28, 2023 is as follows:

	Intrinsic Value as of January 28, 2023 (in millions)	Number of Shares as of January 28, 2023	Weighted- Average Remaining Contractual Life (in years)	Weighted- Average Exercise Price Per Share
Options Outstanding	\$ 11	7,825,433	5.8	\$ 20.75
Options Exercisable	\$ 5	4,933,903	4.6	\$ 23.97

Nonemployee Stock Units and Stock Warrants

Under the 2016 Plan, some Stock Units are granted to members of the Board. Vesting is generally immediate in the case of members of the Board.

Additionally, during fiscal 2020, the Company issued stock warrants for up to 8.5 million shares of the Company's common stock in connection with a strategic agreement entered into by Gap and Yeezy Supply LLC. However, effective with the termination of this agreement, net sales performance targets have not been met.

Employee Stock Purchase Plan

Under our Employee Stock Purchase Plan ("ESPP"), eligible U.S. and Canadian employees are able to purchase our common stock at 85 percent of the closing price on the New York Stock Exchange on the last day of the three-month purchase periods. Accordingly, compensation expense is recognized for an amount equal to the 15 percent discount. Employees pay for their stock purchases through payroll deductions at a rate equal to any whole percentage from 1 percent to 15 percent. There were 2,337,159, 1,117,669, and 1,718,007 shares issued under the ESPP in fiscal 2022, 2021, and 2020, respectively. As of January 28, 2023, there were 12,581,864 shares reserved for future issuances under the ESPP.

Note 12. Leases

Net lease cost recognized on our Consolidated Statements of Operations is summarized as follows:

(\$ in millions)	Fiscal Year	
	2022	2021
Operating lease cost	\$ 825	\$ 947
Variable lease cost	447	428
Sublease (income) loss	(1)	1
Net lease cost	\$ 1,271	\$ 1,376

As of January 28, 2023, the maturities of lease liabilities based on the total minimum lease commitment amount including options to extend lease terms that are reasonably certain of being exercised are as follows:

(\$ in millions)

Fiscal Year	
2023	\$ 866
2024	764
2025	648
2026	559
2027	485
Thereafter	1,967
Total minimum lease payments	5,289
Less: Interest	(1,105)
Present value of operating lease liabilities	4,184
Less: Current portion of operating lease liabilities	(667)
Long-term operating lease liabilities	\$ 3,517

During fiscal 2022, non-cash operating lease asset activity, net of remeasurements and modifications, was \$124 million and includes permanent store closures and the derecognition of leases related to the transition of certain foreign operations to franchise partners. During fiscal 2021, non-cash operating lease asset activity, net of remeasurements and modifications, was \$140 million and includes permanent store closures and the derecognition of leases related to the divestitures and changes to our European operating model. As of January 28, 2023 and January 29, 2022, the minimum lease commitment amount for operating leases signed but not yet commenced, primarily for retail stores, was \$116 million and \$91 million, respectively.

As of January 28, 2023 and January 29, 2022, the weighted-average remaining operating lease term was 8.0 years and 8.1 years, respectively, and the weighted-average discount rate was 5.6 percent and 5.4 percent, respectively, for operating leases recognized on our Consolidated Financial Statements.

As of January 28, 2023 and January 29, 2022, the Company's finance leases were not material to our Consolidated Financial Statements.

See Note 1 of Notes to Consolidated Financial Statements for additional disclosures related to leases.

Note 13. Employee Benefit Plans

We have two qualified defined contribution retirement plans, the GapShare 401(k) Plan and the GapShare Puerto Rico Plan (the "Plans"), which are available to employees who meet the eligibility requirements. The Plans permit eligible employees to make contributions up to the maximum limits allowable under the applicable Internal Revenue Codes. Under the Plans, we match, in cash, all or a portion of employees' contributions under a predetermined formula. Our contributions vest immediately. Our matching contributions to the Plans were \$49 million, \$46 million, and \$42 million in fiscal 2022, 2021, and 2020, respectively.

We maintain the Gap, Inc. Deferred Compensation Plan, which allows eligible employees to defer base compensation and bonus up to a maximum percentage, and non-employee board members to defer receipt of a portion of their Board fees. Plan investments are directed by participants and are recorded at fair market value and designated for the DCP. The fair value of the Company's DCP assets is determined based on quoted market prices, and the assets are recorded within other long-term assets on the Consolidated Balance Sheets. As of January 28, 2023 and January 29, 2022, the assets related to the DCP were \$34 million and \$40 million, respectively. As of January 28, 2023 and January 29, 2022, the corresponding liabilities related to the DCP were \$37 million and \$45 million, respectively, and were recorded within other long-term liabilities on the Consolidated Balance Sheets. We match all or a portion of employees' contributions under a predetermined formula. Plan investments are elected by the participants, and investment returns are not guaranteed by the Company. Our matching contributions to the DCP in fiscal 2022, 2021, and 2020 were not material.

Note 14. Earnings (Loss) per Share

Weighted-average number of shares used for earnings (loss) per share is as follows:

(shares in millions)	Fiscal Year		
	2022	2021	2020
Weighted-average number of shares—basic	367	376	374
Common stock equivalents (1)	—	7	—
Weighted-average number of shares—diluted	367	383	374

(1) For fiscal 2022 and 2020, the dilutive impact of outstanding options and awards was excluded from dilutive shares as a result of the Company's net loss for the respective periods.

The anti-dilutive shares related to stock options and other stock awards excluded from the computation of weighted-average number of shares—diluted were 11 million, 7 million, and 12 million for fiscal 2022, 2021, and 2020, respectively, as their inclusion would have an anti-dilutive effect on earnings (loss) per share.

Note 15. Commitments and Contingencies

We are a party to a variety of contractual agreements under which we may be obligated to indemnify the other party for certain matters. These contracts primarily relate to our commercial contracts, operating leases, trademarks, intellectual property, financial agreements, and various other agreements. Under these contracts, we may provide certain routine indemnifications relating to representations and warranties (e.g., ownership of assets, environmental or tax indemnifications), or personal injury matters. The terms of these indemnifications range in duration and may not be explicitly defined. Generally, the maximum obligation under such indemnifications is not explicitly stated, and as a result, the overall amount of these obligations cannot be reasonably estimated. Historically, we have not made significant payments for these indemnifications. We believe that if we were to incur a loss in any of these matters, the loss would not have a material effect on our Consolidated Financial Statements taken as a whole.

As a multinational company, we are subject to various Actions arising in the ordinary course of our business. Many of these Actions raise complex factual and legal issues and are subject to uncertainties. As of January 28, 2023, Actions filed against us included commercial, intellectual property, customer, employment, securities, and data privacy claims, including class action lawsuits. The plaintiffs in some Actions seek unspecified damages or injunctive relief, or both. Actions are in various procedural stages and some are covered in part by insurance. As of January 28, 2023 and January 29, 2022, we recorded a liability for an estimated loss if the outcome of an Action is expected to result in a loss that is considered probable and reasonably estimable. The liability recorded as of January 28, 2023 and January 29, 2022 was not material for any individual Action or in total. Subsequent to January 28, 2023 and through the filing date of March 14, 2023, no information has become available that indicates a change is required that would be material to our Consolidated Financial Statements taken as a whole.

We cannot predict with assurance the outcome of Actions brought against us. Accordingly, developments, settlements, or resolutions may occur and impact income in the quarter of such development, settlement, or resolution. However, we do not believe that the outcome of any current Action would have a material effect on our Consolidated Financial Statements taken as a whole.

Note 16. Segment Information

We identify our operating segments according to how our business activities are managed and evaluated. As of January 28, 2023, our operating segments included: Old Navy Global, Gap Global, Banana Republic Global, and Athleta Global. Each operating segment has a brand president who is responsible for various geographies and channels. Each of our brands serves customer demand through stores and online channels, leveraging our omni-channel capabilities that allow customers to shop seamlessly across all of our brands. We have determined that each of our operating segments share similar economic and other qualitative characteristics, and therefore the results of our operating segments are aggregated into one reportable segment as of January 28, 2023. We continually monitor and review our segment reporting structure in accordance with authoritative guidance to determine whether any changes have occurred that would impact our reportable segments.

Long-lived assets, excluding long-term deferred tax assets, by geographic location are as follows:

(\$ in millions)	January 28, 2023	January 29, 2022
U.S. (1)	\$ 5,726	\$ 6,164
Other regions	672	1,018
Total long-lived assets	\$ 6,398	\$ 7,182

(1) U.S. includes the United States and Puerto Rico.

See Note 3 of Notes to Consolidated Financial Statements for disaggregation of revenue for stores and online and by brand and region.

Note 17. Divestitures

On April 8, 2021 and May 21, 2021, we completed the divestitures of the Janie and Jack and Intermix brands, respectively. As a result of these transactions, the Company recognized a pre-tax loss of \$59 million within operating expenses on the Consolidated Statement of Operations for the 52 weeks ended January 29, 2022.

On October 1, 2021, we completed the transition of our Gap France operations to a third party, Hermione People & Brands, to operate Gap France stores as a franchise partner. The impact to the Consolidated Financial Statements upon divestiture was not material for the 52 weeks ended January 29, 2022.

On February 1, 2022, we completed the transition of our Gap Italy operations to a third party, OVS, to operate Gap Italy stores as a franchise partner. We completed the transition of our United Kingdom and Ireland online operations to a franchise partner through a joint venture with Next Plc on August 10, 2022. The impacts to the Consolidated Financial Statements upon divestiture were not material for the 52 weeks ended January 28, 2023.

As our European partnership model transition is now complete, we sold our distribution center in Rugby, England for \$125 million on September 30, 2022. As a result of this transaction, the Company recognized a pre-tax gain on sale of \$83 million within operating expenses on the Consolidated Statement of Operations during the 52 weeks ended January 28, 2023.

We also completed the transition of our Old Navy Mexico operations to a third party, Grupo Axo, to operate Old Navy Mexico stores as a franchise partner, on August 1, 2022. As a result of this transaction, the Company recognized a pre-tax loss of \$35 million within operating expenses on the Consolidated Statement of Operations during the 52 weeks ended January 28, 2023.

On November 7, 2022, we signed agreements to transition our Gap Greater China operations to a third party, Baozun, to operate Gap Greater China stores and the in-market website as a franchise partner, subject to regulatory approvals and closing conditions. As of January 28, 2023, the Company reclassified \$142 million of assets and \$126 million of liabilities for Gap China as held for sale within other current assets and accrued expenses and other current liabilities, respectively, on the Consolidated Balance Sheet. The aggregate carrying amount of assets classified as held for sale primarily consists of \$55 million of net operating lease assets, \$35 million of inventory, \$26 million of fixed assets, and \$20 million of other current assets. The aggregate carrying amount of liabilities classified as held for sale primarily consists of \$70 million of operating lease liabilities, \$33 million of accounts payable, and \$19 million of accrued expenses and other current liabilities. We measured the disposal group at its estimated fair value less costs to sell. On January 31, 2023, the Gap China transaction closed with Baozun. The Gap Taiwan operations will continue to operate as usual until regulatory approvals and closing conditions are met.

Note 18. Subsequent Events

On January 26, 2023, the Company entered in an agreement for the sale of a building and reclassified certain assets as held for sale assets that were expected to be sold in the next 12 months. The aggregate carrying amount of the assets held for sale, primarily consisting of fixed assets, was \$30 million and was reclassified within other current assets on the Consolidated Balance Sheet as of January 28, 2023. On February 9, 2023, the Company completed the sale of the building.

On January 31, 2023, the Gap China transaction closed with Baozun. See Note 17 of Notes to Consolidated Financial Statements for related disclosures.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.**Evaluation of Disclosure Controls and Procedures**

We carried out an evaluation, under the supervision and with the participation of management, including the interim Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this Annual Report on Form 10-K. Based upon that evaluation, the interim Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining an adequate system of internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Management conducted an assessment of our internal control over financial reporting based on the framework established by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control—Integrated Framework* (released in 2013). Based on the assessment, management concluded that as of January 28, 2023, our internal control over financial reporting is effective. The Company's internal control over financial reporting as of January 28, 2023 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which is included in Item 8 of this Form 10-K.

Changes in Internal Control over Financial Reporting

During the third quarter of fiscal 2022, we shifted our legacy enterprise resource planning ("ERP") system to a cloud-based ERP system. As part of the system conversion, we assessed the impact to the control environment and modified internal controls where necessary.

There was no further change in the Company's internal control over financial reporting that occurred during the Company's fourth quarter of fiscal 2022 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information.

Not applicable.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

Part III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this item is incorporated herein by reference to the sections entitled “Proposal No. 1 – Election of Directors—Nominees for Election as Directors,” “Other Information—Delinquent Section 16(a) Reports,” and “Corporate Governance—Board Committees—Audit and Finance Committee” in the 2023 Proxy Statement. See also “Information about our Executive Officers” in Part I, Item 1 of this Form 10-K.

The Company has adopted a code of ethics, our Code of Business Conduct, which applies to all employees including our principal executive officer, principal financial officer, controller, and persons performing similar functions. Our Code of Business Conduct is available on our website, www.gapinc.com, under “Investors, Corporate Compliance.” Any amendments and waivers to the Code will also be available on the website.

Item 11. Executive Compensation.

The information required by this item is incorporated herein by reference to the sections entitled “Compensation of Directors,” “Corporate Governance—Board Committees—Compensation and Management Development Committee,” “Compensation Discussion and Analysis,” and “Executive Compensation” in the 2023 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this item is incorporated herein by reference to the sections entitled “Equity Compensation Plan Information” and “Beneficial Ownership of Shares” in the 2023 Proxy Statement.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this item is incorporated herein by reference to the sections entitled “Corporate Governance—Policies and Procedures with Respect to Related Party Transactions,” “Corporate Governance—Certain Relationships and Related Party Transactions,” and “Proposal No. 1 – Election of Directors—Nominees for Election as Directors—Director Independence” in the 2023 Proxy Statement.

Item 14. Principal Accounting Fees and Services.

Information about aggregate fees billed to us by our principal accountant, Deloitte & Touche LLP (PCAOB ID No. 34) is incorporated herein by reference to the section entitled “Proposal No. 2 – Ratification of Selection of Independent Registered Public Accounting Firm—Principal Accounting Firm Fees” in the 2023 Proxy Statement.

Part IV

Item 15. Exhibits, Financial Statement Schedules.

1. Financial Statements: See "Index to Consolidated Financial Statements" in Part II, Item 8 of this Form 10-K.
2. Financial Statement Schedules: Schedules are included in the Consolidated Financial Statements or notes of this Form 10-K or are not required.
3. Exhibits: The exhibits listed in the below Exhibit Index are filed or incorporated by reference as part of this Form 10-K.

Exhibit Index

Exhibit No.	Exhibit Description	Incorporated by Reference				Filed/ Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Amended and Restated Certificate of Incorporation. (P)	10-K	1-7562	3.1	April 26, 1993	
3.2	Certificate of Amendment of Amended and Restated Certificate of Incorporation.	10-K	1-7562	3.2	April 4, 2000	
3.3	Amended and Restated Bylaws (effective August 15, 2022).	10-Q	1-7562	3.3	August 26, 2022	
4.1	Indenture, dated as of September 27, 2021, by and among the Registrant, the Guarantors party thereto and U.S. Bank National Association as trustee, registrar and paying agent.	8-K	1-7562	4.1	September 28, 2021	
4.2	Form of 3.625% Senior Note due 2029, included as Exhibit A-1 to the Indenture.	8-K	1-7562	4.2	September 28, 2021	
4.3	Form of 3.875% Senior Note due 2031, included as Exhibit A-2 to the Indenture.	8-K	1-7562	4.3	September 28, 2021	
4.4	Description of Registrant's securities registered pursuant to Section 12 of the Securities Exchange Act of 1934.					X
10.1	Fourth Amended and Restated Revolving Credit Agreement dated as of July 13, 2022.	10-Q	1-7562	10.1	November 22, 2022	
10.2	Credit Card Program Agreement, dated as of April 8, 2021, by and among the Registrant, Old Navy, LLC, Banana Republic, LLC, Athleta LLC and Barclays Bank Delaware.	10-Q	1-7562	10.4	May 28, 2021	
10.3 †	Executive Management Incentive Compensation Award Plan.	DEF 14A	1-7562	App. A	April 7, 2015	
10.4 †	The Gap, Inc. Executive Deferred Compensation Plan (January 1, 1999 Restatement).	10-Q	1-7562	10.3	December 15, 1998	
10.5 †	Amendment to Executive Deferred Compensation Plan - Freezing of Plan Effective December 31, 2005.	8-K	1-7562	10.1	November 8, 2005	
10.6 †	Amendment to Executive Deferred Compensation Plan - Merging of Plan into the Supplemental Deferred Compensation Plan.	10-K	1-7562	10.29	March 27, 2009	
10.7 †	Amendment to Executive Deferred Compensation Plan - Suspension of Pending Merger into Supplemental Deferred Compensation Plan.	10-K	1-7562	10.30	March 27, 2009	
10.8 †	Amendment to Executive Deferred Compensation Plan - Merging of Plan into the Deferred Compensation Plan.	10-Q	1-7562	10.1	December 8, 2009	
10.9 †	Deferred Compensation Plan, amended and restated effective September 1, 2011.	10-Q	1-7562	10.1	December 7, 2011	

10.10†	Deferred Compensation Plan, amended and restated effective November 17, 2015.	10-K	1-7562	10.24	March 21, 2016
10.11†	Deferred Compensation Plan, amended and restated effective March 24, 2016.	10-Q	1-7562	10.2	June 3, 2016
10.12†	Deferred Compensation Plan, amended and restated effective January 1, 2023.				
10.13†	Supplemental Deferred Compensation Plan.	S-8	333-129986	4.1	November 29, 2005
10.14†	First Amendment to Supplemental Deferred Compensation Plan.	10-K	1-7562	10.32	March 27, 2009
10.15†	Second Amendment to Supplemental Deferred Compensation Plan - Merging of Executive Deferred Compensation Plan into the Plan and Name Change to Deferred Compensation Plan.	10-K	1-7562	10.33	March 27, 2009
10.16†	Third Amendment to Supplemental Deferred Compensation Plan - Suspension of Pending Merging of Executive Deferred Compensation Plan into the Plan and Name Change to Deferred Compensation Plan.	10-K	1-7562	10.34	March 27, 2009
10.17†	Fourth Amendment to Supplemental Deferred Compensation Plan - Merging of Executive Deferred Compensation Plan into the Plan and Name Change to Deferred Compensation Plan.	10-Q	1-7562	10.2	December 8, 2009
10.18†	2011 Long-Term Incentive Plan.	DEF 14A	1-7562	App. A	April 5, 2011
10.19†	Amended and Restated 2011 Long-Term Incentive Plan (effective February 26, 2014).	8-K	1-7562	10.1	March 6, 2014
10.20†	2016 Long-Term Incentive Plan.	DEF 14A	1-7562	App. A	April 5, 2016
10.21†	Amended and Restated 2016 Long-Term Incentive Plan (effective February 22, 2017).	10-K	1-7562	10.30	March 20, 2018
10.22†	Amended and Restated 2016 Long Term-Incentive Plan (effective May 21, 2019).	DEF 14A	1-7562	App. A	April 9, 2019
10.23†	Amended and Restated 2016 Long-Term Incentive Plan (effective May 11, 2021).	DEF 14A	1-7562	App. B	March 30, 2021
10.24†	Form of Non-Qualified Stock Option Agreement under the 2011 Long-Term Incentive Plan.	10-Q	1-7562	10.8	June 8, 2011
10.25†	Form of Non-Qualified Stock Option Agreement under the 2011 Long-Term Incentive Plan.	10-Q	1-7562	10.9	August 31, 2012
10.26†	Form of Non-Qualified Stock Option Agreement under the 2011 Long-Term Incentive Plan.	10-K	1-7562	10.72	March 26, 2013
10.27†	Form of Non-Qualified Stock Option Agreement under the 2011 Long-Term Incentive Plan.	8-K	1-7562	10.2	March 6, 2014
10.28†	Form of Non-Qualified Stock Option Agreement under the 2011 Long-Term Incentive Plan.	8-K	1-7562	10.1	March 6, 2015
10.29†	Form of Non-Qualified Stock Option Agreement under the 2011 Long-Term Incentive Plan.	10-K	1-7562	10.60	March 21, 2016
10.30†	Form of Non-Qualified Stock Option Agreement under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.1	March 9, 2017
10.31†	Form of Non-Qualified Stock Option Agreement under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.1	March 16, 2018
10.32†	Form of Non-Qualified Stock Option Agreement under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.1	March 15, 2019
10.33†	2020 Form of Nonqualified Stock Option Agreement under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.1	March 13, 2020
10.34†	2021 Form of Nonqualified Stock Option Agreement under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.1	March 9, 2021

X

<u>10.35</u> †	2022 Form of Nonqualified Stock Option Agreement under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.1	March 11, 2022
<u>10.36</u> †	Form of Performance Share Agreement under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.3	March 9, 2017
<u>10.37</u> †	Form of Performance Share Agreement under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.3	March 16, 2018
<u>10.38</u> †	Form of Performance Share Agreement under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.3	March 15, 2019
<u>10.39</u> †	2020 Form of Performance Share Agreement under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.3	March 13, 2020
<u>10.40</u> †	2021 Form of Performance Share Agreement under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.3	March 9, 2021
<u>10.41</u> †	2022 Form of Performance Share Agreement under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.3	March 11, 2022
<u>10.42</u> †	Form of Restricted Stock Unit Award Agreement under the 2011 Long-Term Incentive Plan.	10-K	1-7562	10.75	March 21, 2016
<u>10.43</u> †	Form of Restricted Stock Unit Award Agreement under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.2	March 9, 2017
<u>10.44</u> †	Form of Restricted Stock Unit Award Agreement under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.2	March 16, 2018
<u>10.45</u> †	Form of Restricted Stock Unit Award Agreement under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.2	March 15, 2019
<u>10.46</u> †	2020 Form of Restricted Stock Unit Award Agreement under the 2016 Long-Term Incentive Plan	8-K	1-7562	10.2	March 13, 2020
<u>10.47</u> †	2021 Form of Restricted Stock Unit Award Agreement under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.2	March 9, 2021
<u>10.48</u> †	2022 Form of Restricted Stock Unit Award Agreement under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.2	March 11, 2022
<u>10.49</u> †	Form of Restricted Stock Unit Award Agreement (Retention Version) under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.4	March 16, 2018
<u>10.50</u> †	Form of Director Stock Unit Agreement and Stock Unit Deferral Election Form under the 2011 Long-Term Incentive Plan.	10-Q	1-7562	10.10	June 8, 2011
<u>10.51</u> †	Form of Director Stock Unit Agreement and Stock Unit Deferral Election Form under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.4	March 9, 2017
<u>10.52</u> †	2020 Form of Director Stock Unit Agreement and Stock Unit Deferral Election Form under the 2016 Long-Term Incentive Plan.	8-K	1-7562	10.4	March 13, 2020
<u>10.53</u> †	Agreement with Mark Breitbard dated February 27, 2017 and confirmed on March 2, 2017.	10-Q	1-7562	10.1	August 25, 2017
<u>10.54</u> †	Agreement for Post-Termination Benefits with Mark Breitbard dated June 2, 2017.	10-Q	1-7562	10.2	June 5, 2017
<u>10.55</u> †	Letter Agreement dated March 9, 2020 by and between Mark Breitbard and the Registrant.	10-K	1-7562	10.57	March 17, 2020
<u>10.56</u> †	Amendment, dated November 23, 2020, to the Letter Agreement dated March 9, 2020 by and between Mark Breitbard and the Registrant.	10-Q	1-7562	10.4	November 25, 2020
<u>10.57</u> †	Letter Agreement dated October 5, 2020 by and between Nancy Green and the Registrant.	10-Q	1-7562	10.3	November 25, 2020
<u>10.58</u> †	Amendment, dated November 20, 2020, to the Letter Agreement dated October 5, 2020 by and between Nancy Green and the Registrant.	10-Q	1-7562	10.6	November 25, 2020
<u>10.59</u> †	Agreement with Julie Gruber dated February 1, 2016 and confirmed on February 4, 2016.	10-Q	1-7562	10.3	June 3, 2016

10.60†	Agreement for Post-Termination Benefits with Julie Gruber dated June 2, 2017.	10-Q	1-7562	10.5	June 5, 2017
10.61†	Letter Agreement dated March 10, 2020 by and between Julie Gruber and the Registrant.	10-K	1-7562	10.64	March 17, 2020
10.62†	Amendment, dated November 20, 2020, to the Letter Agreement dated March 10, 2020 by and between Julie Gruber and the Registrant.	10-Q	1-7562	10.7	November 25, 2020
10.63†	Agreement with Sonia Syngal dated April 11, 2016 and confirmed on April 11, 2016.	8-K	1-7562	10.1	April 13, 2016
10.64†	Agreement for Post-Termination Benefits with Sonia Syngal dated June 2, 2017.	10-Q	1-7562	10.10	June 5, 2017
10.65†	Letter Agreement dated March 4, 2020 by and between Sonia Syngal and the Registrant.	8-K	1-7562	10.1	March 5, 2020
10.66†	Amendment, dated November 23, 2020, to the Letter Agreement dated March 4, 2020 by and between Sonia Syngal and the Registrant.	10-Q	1-7562	10.10	November 25, 2020
10.67†	Agreement and Release by and between Sonia Syngal and the Registrant dated July 11, 2022.	10-Q	1-7562	10.4	August 26, 2022
10.68†	Letter Agreement dated March 10, 2020 by and between Katrina O'Connell and the Registrant.	10-K	1-7562	10.74	March 17, 2020
10.69†	Amendment, dated November 20, 2020, to the Letter Agreement dated March 10, 2020 by and between Katrina O'Connell and the Registrant.	10-Q	1-7562	10.8	November 25, 2020
10.70†	Letter Agreement dated March 6, 2020 by and between Sheila Peters and the Registrant.	10-Q	1-7562	10.1	November 25, 2020
10.71†	Amendment, dated November 20, 2020, to the Letter Agreement dated March 6, 2020 by and between Sheila Peters and the Registrant.	10-Q	1-7562	10.9	November 25, 2020
10.72†	Letter Agreement dated November 17, 2020 by and between Asheesh Saksena and the Registrant.	10-K	1-7562	10.82	March 16, 2021
10.73†	Letter Agreement dated November 17, 2020 by and between Sandra Stangl and the Registrant.	10-K	1-7562	10.83	March 16, 2021
10.74†	Letter Agreement dated March 15, 2021 by and between John Strain and the Registrant.	10-K	1-7562	10.81	March 15, 2022
10.75†	Letter Agreement dated November 3, 2021 by and between Mary Beth Laughton and the Registrant.	10-K	1-7562	10.82	March 15, 2022
10.76†	Letter Agreement dated August 1, 2022 by and between Bob L. Martin and the Registrant.	8-K/A	1-7562	10.1	August 3, 2022
10.77†	Letter Agreement dated June 2, 2022 by and between Horacio Barbeito and the Registrant	10-Q	1-7562	10.3	August 26, 2022
10.78†	Form of Restricted Stock Unit Award Agreement with Bob L. Martin under the 2016 Long-Term Incentive Plan.	10-Q	1-7562	10.9	June 9, 2020
10.79†	Form of Restricted Stock Unit Award Agreement with Bob L. Martin under the 2016 Long-Term Incentive Plan.	10-Q	1-7562	10.5	August 26, 2022
14	Code of Business Conduct.	10-K	1-7562	14	March 26, 2010
21	Subsidiaries of Registrant.				
23	Consent of Independent Registered Public Accounting Firm.				
31.1	Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer of The Gap, Inc. (Section 302 of the Sarbanes-Oxley Act of 2002).				
31.2	Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer of The Gap, Inc. (Section 302 of the Sarbanes-Oxley Act of 2002).				

32.1	Certification of the Chief Executive Officer of The Gap, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X
32.2	Certification of the Chief Financial Officer of The Gap, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X
101	The following materials from The Gap, Inc.'s Annual Report on Form 10-K for the year ended January 28, 2023, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income (Loss), (iv) the Consolidated Statements of Stockholders' Equity, (v) the Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements.	X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).	X

* Pursuant to a request for confidential treatment, confidential portions of this Exhibit have been redacted and have been filed separately with the Securities and Exchange Commission.

† Indicates management contract or compensatory plan or arrangement.

(P) This Exhibit was originally filed in paper format. Accordingly, a hyperlink has not been provided.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE GAP, INC.

Date: March 14, 2023	By <u> /s/ BOB L. MARTIN </u> Bob L. Martin Interim Chief Executive Officer and Director (Principal Executive Officer)
Date: March 14, 2023	By <u> /s/ KATRINA O'CONNELL </u> Katrina O'Connell Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: March 14, 2023	By <u> /s/ RICHARD DICKSON </u> Richard Dickson, Director
Date: March 14, 2023	By <u> /s/ ELISABETH B. DONOHUE </u> Elisabeth B. Donohue, Director
Date: March 14, 2023	By <u> /s/ ROBERT J. FISHER </u> Robert J. Fisher, Director
Date: March 14, 2023	By <u> /s/ WILLIAM S. FISHER </u> William S. Fisher, Director
Date: March 14, 2023	By <u> /s/ TRACY GARDNER </u> Tracy Gardner, Director
Date: March 14, 2023	By <u> /s/ KATHRYN A. HALL </u> Kathryn A. Hall, Director
Date: March 14, 2023	By <u> /s/ AMY MILES </u> Amy Miles, Director
Date: March 14, 2023	By <u> /s/ CHRIS O'NEILL </u> Chris O'Neill, Director
Date: March 14, 2023	By <u> /s/ MAYO A. SHATTUCK III </u> Mayo A. Shattuck III, Director
Date: March 14, 2023	By <u> /s/ SALAAM COLEMAN SMITH </u> Salaam Coleman Smith, Director

**DESCRIPTION OF REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF
THE SECURITIES EXCHANGE ACT OF 1934**

The Gap, Inc. ("Gap", the "Company," "our" and "us") has one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: our common stock. The following summary of the terms of our common stock is based upon our Amended and Restated Certificate of Incorporation ("Certificate of Incorporation") and our Amended and Restated Bylaws ("Bylaws"). This summary does not purport to be complete and is subject to, and is qualified in its entirety by express reference to, the applicable provisions of our Certificate of Incorporation and our [Bylaws](#), which are filed as exhibits to our Annual Report on Form 10-K and are incorporated by reference herein. We encourage you to read our Certificate of Incorporation, our Bylaws and the applicable provisions of the Delaware General Corporation Law (the "DGCL") for more information.

DESCRIPTION OF COMMON STOCK

Authorized Capital Shares

Our Certificate of Incorporation authorizes the issuance of 2,300,000,000 shares of common stock and 30,000,000 shares of preferred stock. All outstanding shares of our common stock are fully paid and nonassessable. As of March 14, 2023, no shares of preferred stock are issued or outstanding.

In addition, our Certificate of Incorporation authorizes the issuance of 60,000,000 shares of Class B common stock, which is convertible into shares of common stock on a share-for-share basis. Transfer of the shares of Class B common stock is restricted. In addition, the holders of the Class B common stock have six votes per share on most matters and are entitled to a lower cash dividend. As of March 14, 2023, no shares of Class B common stock are issued or outstanding, and we are not permitted to issue shares of Class B common stock as long as our common stock is listed on the New York Stock Exchange.

Voting Rights

Except as otherwise provided by law, holders of our common stock have voting rights on the basis of one vote per share on each matter submitted to a vote at a meeting of stockholders, subject to any class or series voting rights of holders of our preferred stock. Our stockholders may not cumulate votes in elections of directors. As a result, the holders of our common stock and (if issued) preferred stock entitled to exercise more than 50% of the voting rights in an election of directors can elect all of the directors to be elected if they choose to do so. In such event, the holders of the remaining common stock and preferred stock voting for the election of directors will not be able to elect any persons to the board of directors.

Dividend Rights

Holders of our common stock, subject to any prior rights or preferences of preferred stock outstanding, have equal rights to receive dividends if and when declared by our board of directors out of funds legally available therefor.

Liquidation Rights

In the event of our liquidation, dissolution or winding up and after payment of all prior claims, holders of our common stock would be entitled to receive any of our remaining assets, subject to any preferential rights of holders of outstanding shares of preferred stock.

Other Rights and Preferences

Holders of our common stock have no preemptive rights to subscribe for additional shares of common stock or any of our other securities, nor do holders of our common stock have any redemption or conversion rights.

Listing

Our common stock is listed on the New York Stock Exchange under the symbol "GPS."

Transfer Agent

The transfer agent and registrar for our common stock is Equiniti Trust Company.

Effect of Certain Provisions of Our Certificate of Incorporation and Bylaws and the Delaware Anti-Takeover Statute

Certain of the provisions of our Certificate of Incorporation, Bylaws and the DGCL could discourage a proxy contest or the acquisition of control of a substantial block of our stock. These provisions could also have the effect of discouraging a third party from making a tender offer or otherwise attempting to obtain control of Gap, even though an attempt to obtain control of Gap might be beneficial to Gap and its stockholders.

Preferred Stock

As noted above, the rights, preferences and privileges of holders of common stock may be affected by the rights, preferences and privileges granted to holders of preferred stock.

Pursuant to our Certificate of Incorporation, our Board of Directors has the authority, without further action by the stockholders, to issue shares of preferred stock in one or more series, and to fix the rights, preferences and privileges of each series, which may be greater than the rights of the common stock. It is not possible to state the actual effect of the issuance of any additional series of preferred stock upon the rights of holders of our common stock until the Board of Directors determines the specific rights of the holders of that series. However, the effects might include, among other things:

- Restricting dividends on the common stock;
- Diluting the voting power of the common stock;
- Impairing the liquidation rights of the common stock; or
- Delaying or preventing a change in control of Gap without further action by the stockholders.

Charter and Bylaw Provisions

Our Bylaws establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election of directors, other than nominations made by or at the direction of our Board of Directors.

Our Bylaws include an exclusive forum provision. This provision provides that, unless Gap consents in writing to the selection of an alternative forum, the sole and exclusive forum for certain actions or proceedings involving us shall be the Court of Chancery of the State of Delaware. Such suits will include (1) any derivative action or proceeding brought on behalf of Gap, (2) any action or proceeding asserting a claim of breach of a fiduciary duty owed by any director, officer, employee or agent of Gap to company or its stockholders, (3) any action or proceeding asserting a claim against Gap arising pursuant to any provision of the DGCL, the Certificate of Incorporation or the Bylaws or (4) any action or proceeding asserting a claim against Gap governed by the internal affairs doctrine.

Certain Transactions

Under Delaware law, the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or bylaws, unless a corporation's certificate of incorporation or bylaws, as the case may be, requires a greater percentage. Certain provisions of our Certificate of Incorporation related to business combinations may only be amended by an affirmative vote of the holders of 66-2/3% or more of the outstanding voting stock.

Our Certificate of Incorporation provides that business combinations with interested stockholders will require the supermajority vote of 66-2/3% of the voting power of all classes of Gap's voting stock, voting together as a single class (with each share of Class B common stock having two votes per share), to approve such transaction.

An "interested stockholder" is defined in our Certificate of Incorporation as a person (other than our subsidiaries) who or which:

- Is the beneficial owner of more than 5% of the voting power of (a) all outstanding shares of common stock, (b) all outstanding shares of Class B common stock or (c) all outstanding shares with voting rights;

- Is our affiliate and at any time within the two-year period before the date in question owned or was the beneficial owner of more than 5% of the voting power of (a) all outstanding shares of common stock, (b) all outstanding shares of Class B common stock or (c) all outstanding shares with voting rights; or
- Is an assignee of or has otherwise succeeded to (by means other than through a public offering) any shares of our stock with voting rights which were owned by an interested stockholder at any time in the preceding two years.

A "business combination" is defined in our Certificate of Incorporation to mean:

- A merger or consolidation of us or any of our subsidiaries with an interested stockholder;
- A merger or consolidation of us or any of our subsidiaries with another corporation which, after such merger or consolidation, would be an affiliate of an interested stockholder;
- A sale, lease, exchange, mortgage, pledge, transfer or other disposition of our property or the property of any of our subsidiaries representing 5% or more of our overall book value to an interested stockholder or an affiliate thereof, or the issuance or transfer by us to an interested stockholder or an affiliate thereof of our securities, or the securities of any of our subsidiaries, in exchange for cash, securities or other property having such fair market value; or
- Any recapitalization or reclassification of our securities, or any merger or consolidation, that has the effect of increasing the voting power of an interested stockholder.

A business combination will not need to receive the supermajority vote described above if it meets one of the following tests:

- The business combination is approved by a majority of the members of the Board of Directors who are not affiliated with the interested stockholder and who were Board members prior to the interested stockholder becoming an interested stockholder or who were recommended by a majority of such Board members; or
- The consideration to be paid by the interested stockholder in the business combination meets various tests designed to ensure that the form and amount of consideration to be paid by the interested stockholder is fair to the other stockholders.

Delaware Anti-Takeover Statute

We are subject to Section 203 of the DGCL, which prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years after the date that such stockholder became an interested stockholder, with the following exceptions:

- before such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon completion of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction began, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned (i) by persons who are directors and also officers and (ii) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or after such date, the business combination is approved by the board of directors and authorized at an annual or special meeting of the stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder.

In general, Section 203 defines "business combination" to include the following:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, lease, exchange, mortgage, transfer, pledge or other disposition of 10% or more of either the assets or outstanding stock of the corporation involving the interested stockholder;

- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits by or through the corporation.

In general, Section 203 defines "interested stockholder" as an entity or person who, together with affiliates and associates, beneficially owns, or within three years prior to the determination of interested stockholder status did own, 15% or more of the outstanding voting stock of the corporation.

GAP, INC.

DEFERRED COMPENSATION PLAN

(Originally Effective January 1, 2006)

(As Amended and Restated Effective January 1, 2023)

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SECTION 1 INTRODUCTION

1.1 Purpose

Gap Inc. (the “Company”) has established the Gap, Inc. Deferred Compensation Plan (the “Plan”), to provide certain supplemental benefits to a select group of management and highly compensated employees of the Employers under the Plan, and to non-employee members of the Board of Directors of the Company, who contribute materially to the continued growth, development, and future success of the Employers.

Notwithstanding any provision of the Plan to the contrary, the Plan is intended to comply with the American Jobs Creation Act of 2004, Code section 409A, and related guidance. Accordingly, the provisions of the Plan shall be applied, construed and administered in compliance with the applicable requirements of Code section 409A and the Treasury Regulations thereunder. In addition, should there arise any ambiguity as to whether any provisions of this Plan would contravene one or more applicable requirements or limitations of Code section 409A, such provisions shall be interpreted, administered and applied in a manner that complies with the applicable requirements of Code section 409A and the Treasury Regulations thereunder. With respect to amounts under the Plan subject to Code section 409A, all payments to be made on account of termination of employment shall only be made upon of a “separation from service” under Code section 409A; payments shall be paid on a permissible payment event in a manner that complies with Code section 409A; and in no event shall a Participant, directly or indirectly, designate the calendar year of payment except via the deferral elections provided by Section 4 .

1.2 Effective Date; Plan Year

The Plan is effective January 1, 2006, except as otherwise set forth herein, and is hereby amended and restated effective as of the date first set forth above. The Plan is administered on the basis of a Plan Year.

1.3 Plan Administration

The Company shall be the administrator (as that term is defined in ERISA section 3(16)(A)) of the Plan and shall be responsible for the administration of the Plan; provided, however, the Company may delegate all or any part of its powers, rights and duties under the Plan to such person or persons as it may deem advisable. Any notice or document relating to the Plan which is to be filed with the Company may be delivered, or mailed by registered or certified mail, postage pre-paid, to the Company, or to any designated Company representative, in care of the Company, at its principal office.

1.4 Unfunded Nature of Plan

The Plan is an unfunded, nonqualified deferred compensation plan that is intended to qualify for the exemptions provided in ERISA sections 201, 301, and 401. Participants (and their Beneficiaries) shall have only those rights to payments as set forth in the Plan and shall be considered general, unsecured creditors of the Employers with respect to any such rights.

SECTION 2 DEFINITIONS

2.1 Account

“Account” means all notional accounts and subaccounts maintained for a Participant in order to reflect his interest under the Plan, as described in Section 6.

2.2 Accounting Date

“Accounting Date” means each day designated by the Company as of which the value of an Investment Fund is adjusted for notional deferrals, contributions, distributions, gains, losses, or expenses. To the extent not otherwise designated by the Committee, each Investment Fund will be valued as of each day on which the New York Stock Exchange is open for trading.

2.3 Beneficiary

“Beneficiary” means the person or persons to whom a deceased Participant’s benefits are payable under Section 9.5.

2.4 Board

“Board” means the Board of Directors of the Company, as from time to time constituted.

2.5 Bonus

“Bonus” means an award of cash contingent upon the achievement of specified performance goals and payable to an Employee in a given year with respect to the immediately preceding Bonus “performance period” (generally a period of six months or longer, in which the Employee performs the services forming the basis for the Bonus); provided, however, that the term “Bonus” does not include a Sign-on Bonus.

2.6 Bonus Deferrals

“Bonus Deferrals” means the amounts credited to a Participant’s Bonus Deferral Account pursuant to the Participant’s election made in accordance with Section 4.2.

2.7 Code

“Code” means the Internal Revenue Code of 1986, as amended. Reference to a specific section of the Code shall include such section, any valid regulation and guidance promulgated thereunder, and any comparable provision of any future legislation amending, supplementing, or superseding such section.

2.8 Committee

“Committee” means the US Savings Plan Investment Committee of the Company, as described in Section 11.

2.9 Company

“Company” means Gap Inc. or any successor organization or entity that assumes the Plan.

2.10 Compensation

- (a) With respect to any Participant who is an Employee, “Compensation” means the Participant’s total remuneration from the Employer while the Participant is an Eligible Individual which, absent a deferral election under the Plan, would have otherwise been received by the Employee in the taxable year (excluding bonuses and taxable and nontaxable fringe benefits, and excluding overtime and commission payments; provided,

however, that Compensation shall include vacation pay and vacation payouts, and all amounts contributed by an Employer pursuant to a salary reduction agreement which are not includable in the Employee's gross income under sections 125, 132(f), or 402(e)(3) of the Code) payable for pay periods commencing on or after the Effective Date; provided, however, that Compensation shall be determined for these purposes without regard to the dollar limitations in effect for qualified plans under Code section 401(a)(17).

- (b) With respect to any Participant who is a non-employee member of the Board, "Compensation" means all cash remuneration which, absent a deferral election under the Plan, would have otherwise been received by the Board member in the taxable year, payable to the Board member for service on the Board and on Board committees, including any cash payable for attendance at Board meetings and Board committee meetings, but not including any amounts constituting reimbursements of expenses to Board members.
- (c) For purposes of determining eligibility under Section 3.1, Compensation shall mean the rate of Compensation (within the meaning of the subsection (a) or (b) above) in effect on the applicable date.

2.11 Compensation Deferrals

"Compensation Deferrals" means the amounts credited to a Participant's Compensation Deferral Account pursuant to the Participant's election made in accordance with Section 4.1.

2.12 Continuous Service

The term "Continuous Service" shall have the meaning assigned to such term in the GapShare 401(k) Plan.

2.13 Effective Date

"Effective Date" means January 1, 2006.

2.14 Eligible Director

"Eligible Director" means each Eligible Individual who is a non-employee member of the Board.

2.15 Eligible Employee

"Eligible Employee" means each Eligible Individual who is an Employee.

2.16 Eligible Individual

"Eligible Individual" means each non-employee member of the Board or Employee of an Employer who satisfies the requirements set forth in Section 3. With respect to Employees, "Eligible Individual" does not include any Employee who is employed in a country other than the United States of America ("U.S.") unless he: (i) has been temporarily transferred to employment with the Employers in a non-U.S. country; (ii) is a citizen or resident alien of the U.S. at the time of the transfer; and (iii) remains on the U.S. payroll.

2.17 Employee

“Employee” means a person who is employed by an Employer, is on the Employer’s regular payroll, and is treated and/or classified by the Employer as a common law employee for purposes of wage withholding for Federal income taxes. If a person is not considered to be an Employee of the Employer in accordance with the preceding sentence, a subsequent determination by the Employer, any governmental agency, or a court that the person is a common law employee of the Employer, even if such determination is applicable to prior years, will not have a retroactive effect for purposes of eligibility to participate in the Plan.

2.18 Employer

“Employer” means Gap Inc. and any affiliate or subsidiary of the Company within the meaning of Code sections 414(b), (c) or (m) that has adopted the Plan on behalf of its Eligible Individuals with the consent of the Company.

2.19 ERISA

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended. Reference to a specific section of ERISA shall include such section, any valid regulation promulgated thereunder, and any comparable provision of any future legislation amending, supplementing, or superseding such section.

2.20 Fiscal Year

“Fiscal Year” means the fiscal year of the Company.

2.21 Investment Funds

“Investment Funds” means the notional funds or other investment vehicles designated pursuant to Section 5.1.

2.22 Matching Contributions

“Matching Contributions” means the amounts credited to a Participant’s Matching Contribution Account under the Plan by the Employer, in accordance with Section 4.3.

2.23 Newly-Eligible Individual

“Newly-Eligible Individual” means an Employee or non-employee Board member who first becomes eligible to participate in the Plan in accordance with Treasury Regulation Section 1.409A-2(a)(7) by virtue of a promotion, Compensation increase, or commencement of employment (in the case of an Employee), or commencement of Board service (in the case of a Board member); provided, however, that “Newly-Eligible Individual” shall include an Employee or non-employee Board member who regains his status as an Eligible Individual only if the individual regains his status as an Eligible Individual at least 24 months after his last day as a previously Eligible Individual.

2.24 Participant

“Participant” means an Eligible Individual who meets the requirements of Section 3 and elects to make Compensation Deferrals pursuant to Section 4. By becoming a Participant and making deferrals under this Plan, each Participant agrees to be bound by the provisions of the Plan and the determinations of the Company and the Committee hereunder.

2.25 Plan

“Plan” means the Gap Inc. Deferred Compensation Plan, as set forth in this instrument and as hereafter amended from time to time.

2.26 Plan Year

“Plan Year” means each 12-month period beginning January 1 and ending the following December 31.

2.27 Qualified Domestic Relations Order

“Qualified Domestic Relations Order” for purposes of this Plan, shall have the meaning assigned to such term in Section 9.7.

2.28 Sign-On Bonus

“Sign-on Bonus” means an award of cash payable to the Employee upon or within a short period of time after date of hire, as determined in accordance with the Company’s compensation policies.

2.29 Sign-On Bonus Deferral

“Sign-on Bonus” means the amounts credited to a Participant’s Sign-On Bonus Deferral Account pursuant to the Participant’s election made in accordance with Section 4.3.

2.30 Retirement

“Retirement” for purposes of this Plan means, with respect to an Employee Participant, the Participant’s separation from service (within the meaning of Code section 409A and the regulations, notices and other guidance thereunder) with the Employers, the Company and any subsidiary or affiliate of the Company as defined in Code sections 414(b), (c) or (m) after attaining age 50, and, with respect to a non-employee Board member Participant, the Participant’s resignation or removal from the Board after attaining age 50.

2.31 Social Security Taxable Wage Base

“Social Security Taxable Wage Base” means the maximum amount of earnings subject to payroll taxes in a given year, as announced annually by the Social Security Administration.

2.32 Spouse

“Spouse” means the person to whom a Participant is legally married under applicable state law at the earlier of the date of the Participant’s death or the date payment of the Participant’s benefits commenced and who is living on the date of the Participant’s death.

2.33 Termination Date

“Termination Date” means, with respect to an Employee Participant, the date on which the Participant has a separation from service (within the meaning of Code section 409A and the regulations, notices and other guidance thereunder, including death) with the Employers, the Company and any subsidiary or affiliate of the Company within the meaning of Code sections (b), (c) or (m), and, with respect to a non-employee Board member Participant, the date on which

the Board member resigns, is removed or otherwise terminates service on the Board (including death).

2.34 Other Definitions

Other defined terms used in the Plan shall have the meanings given such terms elsewhere in the Plan.

SECTION 3 ELIGIBILITY AND PARTICIPATION

3.1 Eligibility

- (a) General Requirements. A person is an Eligible Individual if he is either: (1) an Employee employed at the level of “director” or higher as determined by the Company and who has Compensation greater than 150% of the Social Security Taxable Wage Base; or (2) a non-employee member of the Board. For this purpose, an Employee’s position and Compensation shall be determined in accordance with the following rules:
 - (i) Annual Deferrals. For purposes of making deferral elections pursuant the timing rules in Section 4.1(c)(i) or 4.2(c)(i), an Employee’s eligibility for any Plan Year or Bonus performance period shall be determined based on the Employee’s position and Compensation, and the Social Security Taxable Wage Base, each in effect as of November 1 preceding the beginning of the Plan Year or Bonus performance period.
 - (ii) Deferrals Upon Initial Eligibility. For purposes of making deferral elections pursuant the timing rules in Section 4.1(c)(ii) or 4.2(c)(ii), the determination of the Newly-Eligible Employee’s initial eligibility date shall be based on the Employee’s position and Compensation in effect on the date of such initial eligibility, and the Social Security Taxable Wage Base in effect during the Plan Year preceding the Plan Year in which the initial eligibility determination is being made.
- (b) Notification of Initial Eligibility. A Newly-Eligible Individual shall be provided enrollment documents, including deferral election forms, as soon as administratively feasible following such initial eligibility and in accordance with procedures determined by the Company.
- (c) Participation. Each Eligible Individual’s decision to become a Participant shall be entirely voluntary. An Eligible Individual who makes a deferral election pursuant to Section 4 shall become a Participant in the Plan.

3.2 Cessation of Participation

If a Participant ceases to be an Eligible Individual, the Participant’s deferrals under the Plan shall continue through the last payment of the Compensation or Bonus that is subject to the deferral election. Thereafter, no further Compensation Deferrals, Bonus Deferrals (if applicable) or Matching Contributions (if applicable) shall be credited to the Participant’s Accounts unless and until he is again determined to be an Eligible Individual, but the balance credited to his Accounts shall continue to be adjusted for notional investment gains and losses under the terms of the Plan and shall be distributed to him at the time and manner set forth in Section 9. An

Employee or non-employee Board member shall cease to be a Participant after his Termination Date or other loss of eligibility as soon as his entire Account balance has been distributed.

3.3 Eligibility for Matching Contributions

To be eligible to receive Matching Contributions described in Section 4.3, an Employee Participant must satisfy all of the following requirements: (a) he has satisfied the length-of-service requirements necessary to become an “Eligible Employee” under the GapShare 401(k) Plan; (b) he who has made a Compensation Deferral election pursuant to Section 4.1 herein; and (c) as of the last day of the applicable Plan Year, he is (i) employed by an Employer, (ii) he is on an Employer’s payroll pursuant to a severance pay arrangement, or (iii) he retired from service from the Employers in the applicable Plan Year after attaining age 60 with five years of Continuous Service.

SECTION 4 DEFERRALS AND CONTRIBUTIONS

4.1 Compensation Deferrals

- (a) Deferral Election. An Eligible Individual shall have the opportunity to make a Compensation Deferral election for each Plan Year or Fiscal Year, as applicable, in accordance with this Section 4.1 and in such form and manner determined by the Company in its sole discretion. A Compensation Deferral election shall be irrevocable.
- (b) Amount Deferred.
 - (i) Eligible Employees. With respect to a Plan Year, an Eligible Employee may elect to defer receipt (in increments of one percent) of up to 75 percent of his Compensation (or such other percentages as determined by the Company) earned with respect to payroll periods beginning on and after January 1 of the Plan Year through the last payroll period ending on or before December 30 of the Plan Year to which the election applies.
 - (ii) Eligible Directors. With respect to a Fiscal Year, an Eligible Director may elect to defer receipt (in increments of one percent) of up to 100 percent of his Compensation (or such other percentages as determined by the Company) with respect to the Fiscal Year to which the election applies.
 - (iii) Applicable Compensation. Notwithstanding the foregoing, Compensation earned prior to the date the Eligible Individual satisfies the eligibility requirements of Section 3 shall not be eligible for deferral under this Plan.
- (c) Timing of Deferral Election.
 - (i) General Rule. Except as permitted in subsection (ii) below, an Eligible Individual's Compensation Deferral election for a Plan Year or a Fiscal Year, as applicable, must be made not later than the December 31 preceding the beginning of the Plan Year or the Fiscal Year.
 - (ii) Newly-Eligible Individuals.
 - (A) Eligible Employees. With respect to an Employee who becomes a Newly-Eligible Individual before the end of the applicable Plan Year, he shall be permitted to defer, in accordance with subsection (C), his Compensation earned in the payroll period(s) described in Section 4.1(b) (i) that begin after the Company receives his properly completed election forms.
 - (B) Eligible Directors. With respect to a non-employee member of the Board who becomes a Newly-Eligible Individual before the end of the applicable Fiscal Year, he shall be permitted to defer, in accordance with subsection (C), his Compensation earned in the Fiscal Year quarter(s)

that begin after the Company receives his properly completed election forms.

- (C) 30-Day Election Period. A deferral election under this subsection (ii) must be made within 30 days of the date the individual becomes a Newly-Eligible Individual; provided, however, that this date shall be determined based on proper notification of the individual by the Company in accordance with procedures determined by the Company. If a Newly-Eligible Individual does not elect to make a Compensation Deferral election during that initial 30-day period, he may not make such election under this subsection (ii).

4.2 Bonus Deferrals

- (a) Deferral Election. An Eligible Employee shall have the opportunity to make Bonus Deferral elections in accordance with this Section 4.2 and in such form and manner determined by the Company in its sole discretion. A Bonus Deferral election shall be irrevocable and remain in effect through the end of the applicable Bonus performance period.
- (b) Amount Deferred. An Eligible Employee may elect to defer receipt (in increments of one percent) of up to 90 percent (or such other percentage as determined by the Company) of his Bonus for the applicable Bonus performance period. If a Bonus Deferral election under Section 4.2(c)(ii) is made after the beginning of the applicable performance period, the election will apply only to the portion of the Bonus equal to the total amount of the Bonus for the performance period multiplied by the ratio of the number of days remaining in the performance period after the effective date of the election over the total number of days in the performance period.
- (c) Timing of Deferral Election.
- (i) General Rule. Except as permitted in subsection (ii) below, a Bonus Deferral election must be made no later than the December 31 preceding the beginning of the Bonus performance period.
- (ii) Newly-Hired Employees. Effective January 1, 2008, with respect to an Employee who becomes a Newly-Eligible Individual before the end of the applicable Bonus performance period by virtue of commencement of employment with an Employer, he shall be permitted to make a Bonus Deferral election into the Plan, but only if he makes such election within 30 days of becoming a Newly-Eligible Individual; provided, however, that this date shall be determined based on proper notification of the individual by the Company in accordance with procedures determined by the Company. If a Newly-Eligible Individual does not elect to make a Bonus Deferral election during that initial 30-day period, he may not make such election under this subsection (ii).

4.3 Sign-On Bonus Deferrals

- (a) Deferral Election. An Eligible Employee shall have the opportunity to make Bonus Deferral elections with respect to Sign-On Bonus in accordance with this Section 4.3 and in such form and manner determined by the Company in its sole discretion. A Sign-On Bonus Deferral election shall be irrevocable.
- (b) Amount Deferred. An Eligible Employee may elect to defer receipt (in increments of one percent) of up to 90 percent (or such other percentage as determined by the Company) of his Sign-On Bonus.
- (c) Timing of Deferral Election. Effective January 1, 2008, with respect to an Employee who becomes a Newly-Eligible Individual by virtue of commencement of employment with an Employer, he shall be permitted to make a Sign-On Bonus Deferral election, but only if he makes such election within 30 days of becoming a Newly-Eligible Individual; provided, however, that this date shall be determined based on proper notification of the individual by the Company in accordance with procedures determined by the Company. If a Newly-Eligible Individual does not elect to make Bonus Deferral election during that initial 30-day period, he may not elect to make a Compensation Deferrals under this subsection (ii).
- (d) Special Rules for Sign-on Bonuses. In the event that a Participant's Sign-On Bonus is revoked, rescinded or forfeited in accordance with rules established by the Company, any amount of such Sign-On Bonus deferred into the Plan, adjusted for any notional earnings or losses thereon, shall be forfeited from such Participant's Account, and shall be applied to offset the Employers' Matching Contributions required in succeeding Plan Years or shall be returned to the applicable Employer, at the Company's discretion. The Company may establish procedures to limit the Investment Fund options available to a Participant with respect to Sign-On Bonus Deferrals.

4.4 Matching Contributions

Matching Contributions shall be credited to the Matching Contribution Accounts of Employee Participants who have satisfied the requirements of Section 3.3 on an annual basis, as soon as administratively feasible after December 31 of the Plan Year. The amount of any such Matching Contribution with respect to a Participant shall be equal to the Participant's Compensation Deferrals with respect to a Plan Year, up to four percent of the excess of (i) the Participant's Compensation earned while the Participant satisfies the eligibility requirements under Section 3 of the Plan and under the GapShare 401(k) Plan over (ii) the annual compensation limit under Code section 401(a)(17). For purposes of clarification, no Matching Contributions shall be made with respect to Compensation Deferrals if the Participant's Compensation during the applicable Plan Year does not exceed the annual compensation limit under Code section 401(a)(17).

4.5 No Mid-Year Election Changes

A Participant shall not be permitted to change or revoke his deferral elections. If a Participant's status changes such that he becomes ineligible for the Plan during a Plan Year,

Bonus performance period, or Fiscal Year (as applicable), the Participant's deferrals under the Plan shall continue through the end of such period, in accordance with Section 3.2.

4.6 Crediting of Deferrals

The amount of deferrals pursuant to Sections 4.1 and 4.2 shall be credited to the Participant's Accounts as of a date not later than 15 business days after the date on which the amount (but for the deferral) otherwise would have been paid to the Participant.

4.7 Reduction of Deferrals or Contributions

Any deferrals or contributions to be credited to a Participant's Account under this Section 4 may be reduced by an amount equal to the Federal or state income, payroll, or other taxes required to be withheld on such deferrals or contributions or to satisfy any necessary employee welfare plan contributions. A Participant shall be entitled only to the net amount of such deferral or contribution (as adjusted from time to time pursuant to the terms of the Plan).

SECTION 5 NOTIONAL INVESTMENTS

5.1 Investment Funds

The Committee may designate, in its discretion, one or more Investment Funds for the notional investment of Participants' Accounts. The Committee, in its discretion, may from time to time establish new Investment Funds or eliminate existing Investment Funds. The Investment Funds are for recordkeeping purposes only and do not allow Participants to direct any Company assets (including, if applicable, the assets of any trust related to the Plan). Each Participant's Accounts shall be adjusted pursuant to the Participant's notional investment elections made in accordance with this Section 5, except as otherwise determined by the Committee in its sole discretion.

5.2 Investment Fund Elections

A Participant may elect from among the Investment Funds for the notional investment of his Accounts from time to time in accordance with procedures established by the Company. The Company, in its discretion, may adopt (and may modify from time to time) such rules and procedures as it deems necessary or appropriate to implement the notional investment of the Participant's Accounts. Such procedures may differ among Participants or classes of Participants, as determined by the Company in its discretion. The Company may limit, delay or restrict the notional investment of certain Participants' Accounts in accordance with Committee rules in order to comply with Company policy and applicable law or to minimize regulated filings and disclosures. Any deferred amounts subject to a Participant's investment election that must be so limited, delayed or restricted under such circumstances may be notionally invested in an Investment Fund designated by the Committee, or may be credited with earnings at a rate determined by the Committee, which rate may be zero. A Participant's notional investment election shall remain in effect until later changed in accordance with the rules of the Company. If a Participant does not make a notional investment election, all deferrals by the Participant and contributions on his behalf will be deemed to be notionally invested in the Investment Fund designated by the Committee for such purpose.

5.3 Investment Fund Transfers

A Participant may elect that all or a part of his notional interest in an Investment Fund shall be transferred to one or more of the other Investment Funds. A Participant may make such notional Investment Fund transfers in accordance with rules established from time to time by the Company, and in accordance with Section 5.2.

SECTION 6 ACCOUNTING

6.1 Individual Accounts

The Company will maintain in the name of each Participant, as applicable, the following Accounts, and any subaccounts under such Accounts deemed necessary or advisable by the Company from time to time:

- (a) Compensation Deferral Account. A Compensation Deferral Account to reflect the Participant's Compensation Deferrals and the notional gains, losses, expenses, appreciation and depreciation attributable thereto.
- (b) Bonus Deferral Account. A Bonus Deferral Account to reflect the Participant's Bonus Deferrals, if applicable, and the notional gains, losses, expenses, appreciation and depreciation attributable thereto.
- (c) Sign-On Bonus Deferral Account. A Sign-On Bonus Deferral Account to reflect the Participant's Sign-On Bonus Deferrals, if applicable, and the notional gains, losses, expenses, appreciation and depreciation attributable thereto.
- (d) Matching Contribution Account. A Matching Contribution Account to reflect the Matching Contributions credited on behalf of the Participant, if applicable, and the notional gains, losses, expenses, appreciation and depreciation attributable thereto.

The Company may establish such rules and procedures relating to the maintenance, adjustment, and liquidation of Participants' Accounts, the crediting of deferrals and contributions and the notional gains, losses, expenses, appreciation, and depreciation attributable thereto, as it considers necessary or advisable. In addition to the Accounts described above, the Company may maintain other Accounts or subaccounts in the names of Participants or otherwise, including, but not limited to, Accounts or subaccounts maintained in accordance with the requirements of a Qualified Domestic Relations Order, as the Company considers necessary or desirable.

6.2 Adjustment of Accounts

Pursuant to rules established by the Company and applied on a uniform basis, Participants' Accounts will be adjusted on each Accounting Date, except as provided in Section 9, to reflect the value of the various Investment Funds as of such date, including adjustments to reflect any deferrals and contributions, notional transfers between Investment Funds, and notional gains, losses, expenses, appreciation, or depreciation with respect to such Accounts since the previous Accounting Date. The "value" of an Investment Fund at any Accounting Date shall be based on the fair market value of the Investment Fund, as determined by the Company.

6.3 Accounting Methods

The accounting methods or formulae to be used under the Plan for purposes of monitoring Participants' Accounts, including the calculation and crediting of notional gains, losses, expenses, appreciation, or depreciation, shall be determined by the Company in its sole discretion. The accounting methods or formulae selected by the Company may be revised from time to time.

6.4 Statement of Account

At such times and in such manner as determined by the Company, but at least annually, each Participant will be furnished with a statement reflecting the condition of his Accounts.

SECTION 7 VESTING

A Participant shall be fully vested at all times in his Compensation Deferral Account, Bonus Deferral Account (if applicable) and Matching Contribution Account (if applicable), except that Sign-on Bonuses may be forfeited as provided in Section 4.2 and are subject to a one-year vesting period. Neither the Company nor the Employers in any way guarantee the Participant's Account balance from loss or depreciation. Notwithstanding any provision of the Plan to the contrary, the Participant's Account balance is subject to Section 8.

SECTION 8 FUNDING

No Participant or other person shall acquire by reason of the Plan any right in or title to any assets, funds, or property of the Employers whatsoever, including, without limiting the generality of the foregoing, any specific funds, assets, or other property of the Employers. Benefits under the Plan are unfunded and unsecured. A Participant shall have only an unfunded, unsecured right to the amounts, if any, payable hereunder to that Participant. The Employers' obligations under this Plan are not secured or funded in any manner, even if the Company elects to establish a trust with respect to the Plan. Even though benefits provided under the Plan are not funded, the Company may establish a trust to assist in the payment of benefits. All investments under this Plan are notional and do not obligate the Employers (or their delegates) to invest the assets of the Employers or of any such trust in a similar manner.

SECTION 9 DISTRIBUTION OF ACCOUNTS

9.1 Distribution of Accounts Prior to Retirement Date

- (a) Distribution upon Termination. With respect to any Participant who has a Termination Date that precedes his Retirement date, the Participant's Accounts shall be distributed to the Participant (or, in the case of the Participant's death, to the Participant's Beneficiary), in the form of a single lump sum payment. Subject to Section 9.3 hereof, it is the Company's intention to distribute a Participant's Accounts payable in a lump sum under this Section 9.1 on the first day of the fourth month following the Participant's Termination Date, or, if calculation of the amount of the payment is not administratively practicable due to events beyond the control of the Participant or his Beneficiary, during the first calendar year in which the calculation of the amount is administratively practicable. Notwithstanding any provision of the Plan to the contrary, for purposes of this subsection, a Participant's Accounts shall be valued as of an Accounting Date preceding the date such distribution is made, in accordance with rules established by the Company.
- (b) In-Service Distribution Election. Notwithstanding subsection (a), with respect to each Bonus Deferral and Compensation Deferral election, an Eligible Individual may elect a distribution date for his Bonus Deferral or Compensation Deferral, as adjusted for any notional earnings or losses thereon, that is prior to his Termination Date (an "in-service distribution"). A Participant's election of an in-service distribution date with respect to a Bonus Deferral or Compensation Deferral must: (i) be made at the time of the Bonus Deferral or Compensation Deferral election; (ii) apply only to the Bonus Deferral or Compensation Deferral; and (iii) be irrevocable. The applicable in-service distribution date must not be earlier than five (5) years following the Plan Year in which the applicable Bonus or Compensation would have been paid absent the deferral, or as otherwise determined or limited in accordance with rules established by the Company. In no event shall a Participant be permitted to elect an in-service distribution of his Matching Contribution Account.
- (i) Subject to Section 9.3, it is the intention of the Company to pay amounts subject to an in-service distribution election by the end of the calendar year in which the payment was elected to be made, or, if calculation of the amount of the payment is not administratively practicable due to events beyond the control of the Participant or his Beneficiary, during the first calendar year in which the calculation of the amount is administratively practicable. For purposes of such payment, the value of the Participant's Accounts for the applicable Plan Year shall be determined as of an Accounting Date preceding the date that such distribution is made, in accordance with rules established by the Company.
- (ii) In the event a Participant's Termination Date occurs prior to the date the Participant had previously elected to have an in-service distribution payment made to him, such amount shall be paid to the Participant in a single lump sum in accordance with subsection (a).

9.2 Distribution of Accounts After Retirement Date

With respect to each Bonus Deferral and Compensation Deferral election, a Participant who does not make an election under Section 9.1(b) may elect to receive payment of the Bonus Deferral or Compensation Deferral, and any related Matching Contributions, each as adjusted for any notional earnings or losses thereon, in the form of a single lump sum or in annual installments for five, 10, or 15 years. The election under this Section 9.2 shall not be effective if the Participant's Termination Date occurs before he reaches his Retirement date (age 50). To the extent a Participant fails to make an election under this Section 9.2, the Participant shall be deemed to have elected to receive the applicable amount in the form of a single lump sum.

- (a) Lump Sum. Subject to Section 9.3 hereof, it is the Company's intention to pay the lump sum on the first day of the fourth month following the Participant's Termination Date, or, if calculation of the amount of the payment is not administratively practicable due to events beyond the control of the Participant or his Beneficiary, during the first calendar year in which the calculation of the amount is administratively practicable.
- (b) Annual Installments. Subject to Section 9.3 hereof, it is the Company's intention to make the first installment payment by the end of the calendar year in which occurs the Participant's Retirement Date or death, or, if calculation of the amount of the payment is not administratively practicable due to events beyond the control of the Participant or his Beneficiary, during the first calendar year in which the calculation of the amount is administratively practicable. Succeeding installment payments shall be made by the end of each succeeding calendar year, or as soon as administratively feasible for the Company to make such payment. The amount to be distributed in each installment payment shall be determined by dividing the value of the Participant's Accounts as of an Accounting Date preceding the date of each distribution by the number of installment payments remaining to be made, in accordance with rules established by the Company. In the event of the death of the Participant prior to the full payment of his Accounts, payments will be made to his Beneficiary in a single lump sum.

9.3 Key Employees

Notwithstanding anything herein to the contrary, payment shall not be made or commence as a result of the Participant's Termination Date to any Participant who is a key employee (defined below) before the date that is not less than six months after the Participant's Termination Date. For this purpose, a key employee includes a "specified employee" (as defined in Code section 409A(a)(2)(B)) during the entire 12-month period determined by the Company ending with the annual date upon which key employees are identified by the Company, and also including any Employee identified by the Company in good faith with respect to any distribution as belonging to the group of identified key employees, to a maximum of 200 such key employees, regardless of whether such Employee is subsequently determined by the Employer, any governmental agency, or a court not to be a key employee; provided, however, that any Employee so identified as belonging to the group of identified key employees shall automatically cease to be a key employee if, as a result of a Company divestiture, the Employee's service recipient is not publicly-traded on an established securities market. In the event amounts are payable to a key employee in installments in accordance with Section 9.2, the first installment shall be delayed by six months, with all other installment payments payable as originally scheduled. The identification date for determining key employees shall be each December 31 (and the new key employee list shall be updated and effective each subsequent April 1).

9.4 Mandatory Cash-Outs of Small Amounts

If the value of a Participant's total Accounts equals or is less than the applicable dollar amount under Code section 402(g) at his Termination Date (or his death), or at any time thereafter, the Accounts will be paid to the Participant (or, in the event of his death, his Beneficiary) in a single lump sum, notwithstanding any election by the Participant otherwise. Subject to Section 9.3, it is the Company's intention to distribute a Participant's Accounts payable in a lump sum under this Section 9.4 on the first day of the fourth month following the Participant's Termination Date, or, if calculation of the amount of the payment is not administratively practicable due to events beyond the control of the Participant or his Beneficiary, during the first calendar year in which the calculation of the amount is administratively practicable.

9.5 Designation of Beneficiary

- (a) Each Participant from time to time may designate any individual, trust, charity or other person or persons to whom the value of the Participant's Accounts will be paid in the event the Participant dies before receiving the value of all of his Accounts. A Beneficiary designation must be made in the manner required by the Company for this purpose. Payments to the Participant's Beneficiary(ies) shall be made in accordance with Section 9.1, 9.2, or 9.4, as applicable, after the Company has received proper notification of the Participant's death.
- (b) A Beneficiary designation will be effective only when the Beneficiary designation is filed with the Company while the Participant is alive, and a subsequent Beneficiary designation will cancel all of the Participant's Beneficiary designations previously filed with the Company. Any designation or revocation of a Beneficiary shall be effective as only if it is received by the Company. Once received, such designation shall be effective as of the date the designation was executed, but without prejudice to the Company on account of any payment made before the change is recorded by the Company.
- (c) If a Beneficiary dies before payment of the Participant's Accounts have been made, the Participant's Accounts shall be distributed in accordance with the Participant's Beneficiary designation and pursuant to rules established by the Company. If a deceased Participant failed to designate a Beneficiary, or if the designated Beneficiary(ies) predecease(s) the Participant, the value of the Participant's Accounts shall be payable to the Participant's surviving Spouse or, if there is none, to the Participant's estate, or in accordance with such other equitable procedures as determined by the Company.

9.6 Reemployment

If a former Participant is rehired by an Employer, the Company or any affiliate or subsidiary of the Company described in Code section 414(b), (c) or (m), regardless of whether he is rehired as an Eligible Individual (with respect to an Employee Participant), or a former Participant returns to service as a Board member, any payments being made to such Participant hereunder by virtue of his previous Termination Date shall continue. If a former Participant is rehired by the Employer (with respect to an Employee Participant) or returns to service as a Board member, and in either case any payments to be made to the Participant by virtue of his

previous Termination Date have not been made or commenced, such Participant shall no longer be entitled to such payments until his subsequent Termination Date.

9.7 Domestic Relations Orders

- (a) If applicable and notwithstanding Sections 9.1 and 9.2, all or a portion of a Participant's Account balance in each Account may be paid to another person as specified in a domestic relations order that the Company determines is qualified (a "Qualified Domestic Relations Order"). For this purpose, a Qualified Domestic Relations Order means a judgment, decree, or order (including the approval of a settlement agreement) which:
 - (i) is issued pursuant to a State's domestic relations law;
 - (ii) relates to the provision of child support, alimony payments or marital property rights to a Spouse, former Spouse, child or other dependent of the Participant;
 - (iii) creates or recognizes the right of a Spouse, former Spouse, child or other dependent of the Participant to receive all or a portion of the Participant's benefits under the Plan;
 - (iv) provides for an immediate lump sum payment as soon as administratively practicable after the later of (i) the date the Company determines that a Qualified Domestic Relations Order exists, and (ii) a date specified in the Qualified Domestic Relations Order; and
 - (v) meets such other requirements established by the Company.
- (b) The Company shall determine whether any document received by it is a Qualified Domestic Relations Order. In making this determination, the Company may consider the rules applicable to "domestic relations orders" under Code section 414(p) and ERISA section 206(d), and such other rules and procedures as it deems relevant. If an order is determined by the Company to be a Qualified Domestic Relations Order, the amount to which the other person is entitled under such order shall be paid in a lump sum payment as soon as administratively practicable after (but in no event later than 60 days following) the later of (i) the date the Company makes such determination, and (ii) the date specified in the Qualified Domestic Relations Order.
- (c) In the event a lump sum payment is to be made to another person pursuant to a Qualified Domestic Relations Order, the Company shall have the authority to create an Account under the Plan for such other person. The Company shall establish such rules and procedures relating to the maintenance, adjustment, and liquidation of any such Account and the notional gains, losses, expenses, appreciation, and depreciation attributable thereto, as it considers necessary or advisable.
- (d) Any person who is to receive a payment from the Plan under the terms of a Qualified Domestic Relations Order shall be deemed to agree to be bound by the provisions of the Plan and the determinations of the Company and the Committee hereunder.

9.8 Special Distribution Rules

- (a) Except as otherwise provided herein, in Section 9.7 and in Section 12, Account balances of Participants in this Plan shall not be distributed earlier than the applicable date or dates described in Section 9. Notwithstanding the foregoing, the following payments may be delayed in the discretion of the Company: (i) payment the deduction for which would be limited or eliminated by the application of Code section 162(m); (ii) payment that would violate securities or other applicable laws; or (iii) payment that would jeopardize the ability of the Company to continue as a going concern. In the case of a payment described in (i) above, the payment must be deferred either to a date in the first year in which the Company reasonably anticipates that a payment of such amount would not result in a limitation of a deduction with respect to the payment of such amount under Code section 162(m), or the year in which the Participant's Termination Date occurs. In the case of a payment described in (ii) or (iii) above, payment will be made in the first calendar year in which the Company reasonably anticipates that the payment would not result in a violation of securities or other applicable laws, or will not jeopardize the ability of the Company to continue as a going concern, respectively.
- (b) Payments intended to pay employment taxes or payments made as a result of income inclusion of an amount in a Participant's Accounts as a result of a failure to satisfy Code section 409A shall be permitted at the Company's discretion at any time and to the extent provided in Proposed Treasury Regulations under Code section 409A and IRS Notice 2005-1, Q&A-15, and any applicable subsequent guidance. "Employment taxes" shall include Federal Income Contributions Act (FICA) tax imposed under Code sections 3101 and 3121(v)(2) on compensation deferred under the Plan (the "FICA Amount"), the income tax imposed under Code section 3401 on the FICA Amount, and to pay the additional income tax under Code section 3401 attributable to the pyramiding Code section 3401 wages and taxes.

SECTION 10 GENERAL PROVISIONS

10.1 Transferability of Plan Interests

The interests of persons entitled to benefits under the Plan are not subject to their debts or other obligations and, except as may be required by the tax withholding provisions of the Code or any state's income tax act, may not be voluntarily or involuntarily sold, transferred, alienated, assigned, or encumbered. Effective March 24, 2016, a Participant's interest in the Plan is transferable pursuant to a Qualified Domestic Relations Order, in accordance with Section 9.7.

10.2 Employment Rights

The Plan does not constitute a contract of employment, and participation in the Plan shall not give any Employee the right to be retained in the employ of an Employer, nor any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan. The Employers expressly reserve the right to discharge any Employee at any time.

10.3 Litigation by Participants or Other Persons

If a legal action begun against the Committee (or any member or former member thereof), an Employer, or any person or persons to whom an Employer or the Committee has delegated all or part of its duties hereunder, by or on behalf of any person results adversely to that person, or if a legal action arises because of conflicting claims to a Participant's or other person's benefits, the cost to the Committee (or any member or former member thereof), the Employers or any person or persons to whom the Employer or the Committee has delegated all or part of its duties hereunder of defending the action shall be charged to the extent permitted by law to the sums, if any, which were involved in the action or were payable to the Participant or other person concerned.

10.4 Evidence

Evidence required of anyone under the Plan may be by certificate, affidavit, document, or other information which the person acting on it considers pertinent and reliable, and signed, made, or presented by the proper party or parties.

10.5 Waiver of Notice

Any notice required under the Plan may be waived by the person entitled to such notice.

10.6 Controlling Law

Except to the extent superseded by laws of the United States, the laws of the State of California shall be controlling in all matters relating to the Plan.

10.7 Statutory References

Any reference in the Plan to a Code section or a section of ERISA, or to a section of any other Federal law, shall include any comparable section or sections of any future legislation that amends, supplements, or supersedes that section.

10.8 Severability

In case any provision of the Plan shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of the Plan, and the Plan shall be construed and enforced as if such illegal and invalid provision had never been set forth in the Plan.

10.9 Action by the Company, the Employers, or the Committee

Any action required or permitted to be taken by the Company or any of the Employers under the Plan shall be by resolution of its board of directors, by resolution or other action of a duly authorized committee of its board of directors, or by action of a person or persons authorized by resolution of its board of directors or such committee. Any action required or permitted to be taken by the Committee under the Plan shall be by resolution or other action of the Committee or by a person or persons duly authorized by the Committee.

10.10 Headings and Captions

The headings and captions contained in this Plan are inserted only as a matter of convenience and for reference, and in no way define, limit, enlarge, or describe the scope or intent of the Plan, nor in any way shall affect the construction of any provision of the Plan.

10.11 Gender and Number

Where the context permits, words in the masculine gender shall include the feminine and neuter genders, the singular shall include the plural, and the plural shall include the singular.

10.12 Examination of Documents

Copies of the Plan and any amendments thereto are on file at the office of the Company where they may be examined by any Participant or other person entitled to benefits under the Plan during normal business hours.

10.13 Elections

Each election or request required or permitted to be made by a Participant (or a Participant's Spouse or Beneficiary) shall be made in accordance with the rules and procedures established by the Company and shall be effective as determined by the Company. The Company's rules and procedures may address, among other things, the method and timing of any elections or requests required or permitted to be made by a Participant (or a Participant's Spouse or Beneficiary).

10.14 Manner of Delivery

Each notice or statement provided to a Participant shall be delivered in any manner established by the Company and in accordance with applicable law, including, but not limited to, electronic delivery.

10.15 Facility of Payment

When a person entitled to benefits under the Plan is a minor, under legal disability, or, in the Company's opinion, is in any way incapacitated so as to be unable to manage his financial affairs, the Company may cause the benefits to be paid to such person's guardian or legal representative. If no guardian or legal representative has been appointed, or if the Company so

determines in its sole discretion, payment may be made to any person as custodian for such individual under the California Uniform Transfers to Minors Act or other applicable state law, or to the legal representative of such person for such person's benefit, or the Company may direct the application of such benefits for the benefit of such person. Any payment made in accordance with this Section 10.15 shall be a full and complete discharge of any liability for such payment under the Plan.

10.16 Missing Persons

- (a) The Employers and the Company shall not be required to search for or locate a Participant, Spouse, Beneficiary, or any other person entitled to a payment under the Plan. Each Participant, Spouse, Beneficiary, and any other person entitled to a payment under the Plan must file with the Company, from time to time, in writing, the Participant's, Spouse's, Beneficiary's or other person's post office address and each change of post office address. Any communication, statement, or notice addressed to a Participant, Spouse, Beneficiary or other person entitled to a payment under the Plan at the last post office address filed with the Company, or if no address is filed with the Company, then in the case of a Participant, at the Participant's last post office address as shown on the Employer's records, shall be considered a notification for purposes of the Plan and shall be binding on the Participant and the Participant's Spouse and Beneficiary for all purposes of the Plan.
- (b) If the Company is unable to locate the Participant, Spouse, Beneficiary or other person entitled to a payment under the Plan to whom a Participant's Accounts or an Account are/is payable, the Participant's Accounts or other Account shall be frozen as of the date on which distribution would have been completed under the terms of the Plan, and no further notional investment returns shall be credited thereto.
- (c) If a Participant, Spouse, Beneficiary or other person entitled to a payment under the Plan whose Accounts were frozen files a claim for distribution of the Accounts within seven years after the date the Accounts are frozen, and if the Company determines that such claim is valid, then the frozen balance shall be paid by the Company to the Participant, Beneficiary or other person entitled to a payment under the Plan in a lump sum cash payment as soon as practicable thereafter. If the Company notifies a Participant, Spouse, Beneficiary or other person entitled to a payment under the Plan of the provisions of this Section 10.16, and the Participant, Spouse, Beneficiary or person entitled to a payment under the Plan fails to claim the Participant's, Spouse's, Beneficiary's or person's benefits or make such person's whereabouts known to the Company within seven years after the date the Accounts are frozen, the benefits of the Participant, Spouse, Beneficiary or other person entitled to a payment under the Plan may be disposed of, to the extent permitted by applicable law, by one or more of the following methods, in the Company's sole discretion:
 - (i) By retaining such benefits in the Plan.
 - (ii) By paying such benefits to a court of competent jurisdiction for judicial determination of the right thereto.

- (iii) By forfeiting such benefits in accordance with procedures established by the Company. If a Participant, Spouse, Beneficiary or other person entitled to a payment under the Plan is subsequently located, such benefits shall be restored (without adjustment) to the Participant, Spouse, Beneficiary or other person under the Plan.
- (iv) By any equitable manner permitted by law under rules adopted by the Company.

10.17 Recovery of Benefits

In the event a Participant, Spouse, Beneficiary or other person entitled to a payment under the Plan receives a benefit payment from the Plan that is in excess of the benefit payment that should have been made to such Participant, Spouse, Beneficiary or person, or in the event a person other than a Participant, Spouse, Beneficiary or person entitled to a payment under the Plan receives an erroneous payment from the Plan, the Company shall have the right, on behalf of the Plan, to recover the amount of the excess or erroneous payment from the recipient. To the extent permitted under applicable law, the Company may, at its option, deduct the amount of such excess or erroneous payment from any future benefits payable to the applicable Participant, Spouse, Beneficiary or person entitled to receive a payment from the Plan.

10.18 Effect on Other Benefits

Except as otherwise specifically provided under the terms of any other employee benefit plan of the Company, a Participant's participation in this Plan shall not affect the benefits provided under such other employee benefit plan.

10.19 Tax and Legal Effects

The Employers, the Committee, and their representatives and delegates do not in any way guarantee the tax treatment of benefits for any Participant, Spouse, Beneficiary or other person entitled to a payment under the Plan, and the Employers, the Committee, and their representatives and delegates do not in any way guarantee or assume any responsibility or liability for the legal, tax, or other implications or effects of the Plan. In the event of any legal, tax, or other change that may affect the Plan, the Company may, in its sole discretion, take any actions it deems necessary or desirable as a result of such change.

SECTION 11 PLAN ADMINISTRATION

11.1 Company as Administrator

The Plan shall be administered by the Company. The Company shall have the following powers, rights and duties, which shall be exercisable in the sole discretion of the Company:

- (a) To adopt such rules, procedures, and regulations as in its opinion may be necessary for the proper and efficient administration of the Plan and as are consistent with the Plan and to change, alter, or amend such rules, procedures, and regulations;
- (b) To construe and interpret the provisions of the Plan and make factual determinations thereunder;
- (c) To determine all questions arising in the administration of the Plan, including the power to determine the rights or eligibility of Employees or Participants or any other persons, and the amounts of their benefits (if any) under the Plan, and to remedy ambiguities, inconsistencies, or omissions, and any such determination shall be binding on all parties;
- (d) To employ and suitably compensate such agents, attorneys, accountants, actuaries, recordkeepers, or other persons (who also may be employed by the Company) to render advice and perform other services as the Company may deem necessary to carry out its powers, rights, and duties;
- (e) To the extent applicable, to direct payments or distributions in accordance with the provisions of the Plan;
- (f) To furnish the Employers with such information as may be required by them for tax or other purposes in connection with the Plan;
- (g) To communicate the Plan and its requirements to Participants;
- (h) To take such actions as the Company may deem necessary or advisable to correct any errors in the operation of the Plan; and
- (i) To take such other actions as the Company may deem necessary for the proper administration and operation of the Plan in accordance with its terms.

11.2 Committee General Powers, Rights, and Duties

Except as otherwise specifically provided herein, and in addition to the powers, rights and duties specifically given to the Committee elsewhere in the Plan or otherwise delegated to the Committee by the Company or the Compensation and Management Development Committee of the Board, the Committee shall have the full power and authority for the establishment of an investment policy for the Plan, and the selection, monitoring, and termination of notional investment options for the Plan, and such other powers, rights and duties as may be described from time to time in the Committee's Charter.

11.3 Interested Committee Member

No member of the Committee who is also an Employee of an Employer shall be excluded from participating in the Plan if otherwise eligible. If a member of the Committee (or one of its delegates or designees) also is a Participant in the Plan, he may not decide or determine any matter or question concerning distributions of any kind to be made to him or her or the nature or mode of settlement of his benefits unless such decision or determination could be made by him or her under the Plan if he were not serving on the Committee.

11.4 Compensation and Expenses

Unless paid by an Employer, all reasonable costs, charges, and expenses incurred in the administration of this Plan, including expenses incurred by the Committee, compensation to an investment manager, and any compensation to agents, attorneys, actuaries, accountants, recordkeepers, and other persons performing services on behalf of this Plan or for the Committee, may be drawn from (a) Accounts, in the form of a flat fee or a percentage of the value of each Account, (b) notional earnings or gains in each Investment Fund, or (c) an account maintained under a trust related to the Plan (if any).

11.5 Information Required by Company

Each person entitled to benefits under the Plan must file with the Company from time to time in writing such person's mailing address and each change of mailing address. Any communication, statement, or notice addressed to any person at the last mailing address filed with the Company will be binding upon such person for all purposes of the Plan. Each person entitled to benefits under the Plan also shall furnish the Company with such documents, evidence, data, or information as the Company considers necessary or desirable for the purposes of administering the Plan. The Employers shall furnish the Company with such data and information as the Company may deem necessary or desirable in order to administer the Plan. The records of the Employers as to an Employee's or Participant's period of employment or membership on the Board, termination of employment or membership and the reason therefor, leave of absence, reemployment, and Compensation will be conclusive on all persons unless determined to the Company's satisfaction to be incorrect.

11.6 Uniform Application of Rules

The Company shall administer the Plan on a reasonable basis. Any rules, procedures, or regulations established by the Company shall be applied uniformly to all persons similarly situated.

11.7 Claims and Appeals

- (a) Procedures. Claims for benefits under the Plan shall be administered in accordance with ERISA section 503, the regulations thereunder, and such reasonable claims and appeals procedures as may be established by the Company. The Plan shall provide adequate notice to the claimant, and if the claim has been denied in whole or in part, shall afford such claimant a reasonable opportunity for a full and fair review.
- (b) Statute of Limitations. A claimant's compliance with this Section 11.6, including the claims and appeals procedures, is a mandatory prerequisite to a Participant's right to commence any legal action with respect to any claim for benefits under this Plan. The deadline to file such legal action is the later of (i) 24 months after the claimant knew or reasonably should

have known of the principal facts on which the claim is based, or (ii) 120 days after the Company's final decision regarding the claim.

- (c) Confidentiality. All decisions and communications to claimants regarding a claim for benefits under the Plan shall be held strictly confidential by the claimant, and the Company, the Employers, and their agents.

11.8 Company's Decision Final

Benefits under the Plan will be paid only if the Company decides in its sole discretion that a Participant or Beneficiary (or other claimant) is entitled to them. Subject to applicable law, any interpretation of the provisions of the Plan and any decisions on any matter within the discretion of the Company made by the Company or its delegate in good faith shall be binding on all persons. A misstatement or other mistake of fact shall be corrected when it becomes known and the Company shall make such adjustment on account thereof as it considers equitable and practicable.

SECTION 12 AMENDMENT AND TERMINATION

While the Company expects and intends to continue the Plan, the Company reserves the right to amend the Plan at any time and for any reason, including the right to amend this Section 12 and the Plan termination rules herein; provided, however, that each Participant will be entitled to the amount credited to his Accounts immediately prior to such amendment. The Company's power to amend the Plan includes (without limitation) the power to change the Plan provisions regarding eligibility, contributions, notional investments, vesting, and distribution forms, and timing of payments, including changes applicable to benefits accrued prior to the effective date of any such amendment; provided, however, that amendments to the Plan (other than amendments relating to Plan termination) shall not cause the Plan to provide for acceleration of distributions in violation of Code section 409A and applicable regulations thereunder.

The Company reserves the right to terminate the Plan at any time and for any reason; provided, however, that each Participant will be entitled to the amount credited to his Accounts immediately prior to such termination (but such Accounts shall not be adjusted for future notional income, losses, expenses, appreciation and depreciation).

In the event that the Plan is terminated pursuant to this Section 12, the balances in affected Participants' Accounts shall be distributed at the time and in the manner set forth in Section 9. Notwithstanding the foregoing, the Company reserves the right to make all such distributions within the second twelve-month period commencing with the date of termination of the Plan; provided, however, that no such distribution will be made during the first twelve-month period following such date of Plan termination other than those that would otherwise be payable under Section 9 absent the termination of the Plan.

* * *

IN WITNESS WHEREOF, the Company has adopted this Plan document by written action of Peter Pawlick, Head of Total Rewards, dated December 20, 2022.

APPENDIX A

Merger of The Gap, Inc. Executive Deferred Compensation Plan into Gap Inc. Deferred Compensation Plan (prior to June 30, 2009, known as the Gap Inc. Supplemental Deferred Compensation Plan)

A-1. Introduction. The Gap, Inc. (the “Company”) maintains The Gap, Inc. Executive Deferred Compensation Plan (the “EDCP”) for the benefit of certain of its eligible employees. As of the close of business on June 30, 2009 (the “Merger Date”), the EDCP shall be merged into and continued in the form of this Plan.

A-2. Purpose. The purpose of this Appendix A is to set forth special provisions which will apply under the Plan on and after June 30, 2009 to reflect the merger and resulting transfer of notional accounts of participants in the EDCP into the Plan on the Merger Date. The Plan is designed to comply with the American Jobs Creation Act of 2004, as amended (the “Jobs Act”), and section 409A of the Code. The Plan is intended to conform to the requirements of the Jobs Act and section 409A of the Code, and final Treasury Regulations issued thereunder, with respect to Non-Grandfathered amounts under the Plan. It is intended that the provisions of the Plan relating to the amounts merged into the Plan from the EDCP be interpreted for periods prior to January 1, 2009 according to a good faith interpretation of the Jobs Act and section 409A of the Code, and consistent with published guidance thereunder, including, without limitation, IRS Notice 2005-1 and the proposed and final Treasury Regulations under section 409A of the Code. Treatment of amounts deferred under the Plan pursuant to and in accordance with any transition rules provided under all IRS published guidance and other applicable authorities in connection with the Jobs Act or section 409A of the Code, shall be expressly authorized hereunder and shall be administered in accordance with procedures established by the Company. In the event of any inconsistency between the terms of the Plan and the Jobs Act or section 409A of the Code with respect to Non-Grandfathered amounts, the terms of the Jobs Act and section 409A of the Code shall prevail and govern. “Grandfathered Amounts” shall mean the portion of the participant’s account balance under the EDCP as of December 31, 2004, the right to which was earned and vested (within the meaning of Treasury Regulation §1.409A-6(a)(2)) as of December 31, 2004, plus the right to future contributions to the account the right to which was earned and vested (within the meaning of Treasury Regulation §1.409A-6(a)(2)) as of December 31, 2004, to the extent such contributions are actually made, each determined by reference to the terms of the EDCP in effect as of October 3, 2004, but only to the extent such EDCP terms have not been materially modified (within the meaning of Treasury Regulation §1.409A-6(a)(4)) after October 3, 2004. Grandfathered Amounts shall include any earnings (within the meaning of Treasury Regulation §1.409A-1(o)) attributable thereto. “Non-Grandfathered Amounts” shall mean the Participant’s Account balance under the Plan less any portion of the Participant’s Account balance under the Plan constituting Grandfathered Amounts.

A-3. Participation in the Plan. Each employee of the Company who, immediately prior to the Merger Date, was a participant with an account under the EDCP (an “Appendix A Participant”) became a Participant with an Account under the Plan effective as of the Merger Date, in accordance with the provisions of the Plan, as described in paragraph A-4 below.

A-4. Prior Accounts. Notional amounts credited to the notional accounts maintained under the EDCP for Appendix A Participants, as adjusted as of the Merger Date in accordance with the terms of the EDCP (the “Prior Accounts”), will be credited to this Plan as of the Merger Date, and shall be notionally invested in the corresponding Investment Funds under this Plan to the extent determined by the Committee and, at the discretion of the Committee, as directed by

the Appendix A Participant. Notwithstanding the foregoing, “Grandfathered Amounts” shall be held in separate “Grandfathered Accounts” and subaccounts to the extent deemed necessary and desirable by the Company.

A-5. Termination Date. The Termination Date with respect to an Appendix A Participant applicable to an Appendix A Participant’s Grandfathered Amounts shall be the date on which the Appendix A Participant ceases to perform services with the Company and any affiliate within the meaning of Code sections 414(b), (c) or (m).

A-6. Former Participants. Former participants in the EDCP who terminated employment prior to the Merger Date but have not received payment in full of their vested Prior Account balances by that date shall have their remaining Prior Account balances maintained under the Plan. Such former participants in the EDCP with Prior Account balances under the Plan (or, in case of their death, their beneficiaries) may direct the notional investment of their Accounts pursuant to the provisions of the Plan until such Accounts are paid out in full and only for this purpose shall be treated as a “Participant” or a “Beneficiary”, as the case may be, under the Plan. Until payment in full is made, the Prior Account balances shall be adjusted pursuant to the terms of the Plan.

A-7. Manner of Distribution. The elections made by participants under the EDCP with respect to the manner of distribution of their Prior Account balances, plus notional appreciation, income, and earnings and minus notional depreciation and losses thereon (“Adjusted Prior Account Balances”) shall continue to apply to Adjusted Prior Account Balances of Appendix A Participants under this Plan on and after the Merger Date. Upon the Participant’s Termination Date, the unvested portion of such Account shall be permanently forfeited.

A-8. In-Service Withdrawals. With respect to Grandfathered Amounts, the Company, in its sole discretion and notwithstanding any contrary provision of the Plan, may determine that all or part of the Appendix A Participant’s vested Prior Account shall be paid to him or her immediately as an in-service withdrawal; provided, however, that an amount equal to ten percent of the total amount of the in-service withdrawal shall be withheld by the Company and permanently forfeited. Appendix A Participants shall be limited to one in-service withdrawal per Plan Year.

A-9. Timing of Distributions. Adjusted Prior Account Balances of Appendix A Participants shall be distributed pursuant to the terms of this Plan. Notwithstanding the foregoing, with respect to Grandfathered Amounts, distributions shall be made as soon as practicable following an Appendix A Participant’s Termination Date. Installment payments shall be made as soon as practicable following an Appendix A Participant’s Retirement date (age 50) or death, with respect to Grandfathered Amounts. Payments made pursuant to an in-service distribution election with respect to Grandfathered Amounts shall be made on or before the last working day of April of the plan year in which such payment was elected to be made. Within the specific time periods described in this Appendix A, the Company shall have sole discretion to determine the specific timing of the payment of any Grandfathered Amounts under the Plan. The provisions of Section 5.4 of the Plan shall apply only to Non-Grandfathered Amounts for Appendix A Participants.

A-10. Use of Terms. Terms used in this Appendix A with respect to the Plan shall, unless defined in this Appendix A, have the meanings of those terms as defined in the Plan. All of the terms and provisions of the Plan shall apply to this Appendix A.

The Gap, Inc.
Subsidiary List as of January 28, 2023

Athleta (ITM) Inc.	California
Athleta LLC	Delaware
Athleta, Inc.	Delaware
Banana Republic (Apparel), LLC	California
Banana Republic (ITM) Inc.	California
Banana Republic (Japan) Y.K.	Tokyo, Japan
Banana Republic, LLC	Delaware
Context-Based 4 Casting (C-B4) Ltd.	Israel
Context-Based 4 Casting Inc.	Delaware
Corporate HQ Support Mexico, S. de R.L. de C.V.	Mexico
Direct Consumer Services, LLC	California
Drapr Inc.	Delaware
Forth & Towne (Japan) Y.K.	Tokyo, Japan
Gap (Apparel), LLC	California
Gap (Beijing) Commercial Co., Ltd.	Beijing, China
Gap (Canada) Inc.	Canada
Gap (France) SAS	Paris, France
Gap (Italy) Srl.	Milan, Italy
Gap (ITM) Inc.	California
Gap (Japan) K.K.	Tokyo, Japan
Gap (Puerto Rico), Inc.	Puerto Rico
Gap (RHC) B.V.	Amsterdam, The Netherlands
Gap (Shanghai) Commercial Co., Ltd.	Shanghai, China
Gap (UK Holdings) Limited	England and Wales
Gap Europe Limited	England and Wales
Gap International Sales, Inc.	Delaware
Gap International Sourcing (Americas) LLC	California
Gap International Sourcing (California), LLC	California
Gap International Sourcing (India) Private Limited	New Delhi, India
Gap International Sourcing (JV), LLC	California
Gap International Sourcing (U.S.A.) Inc.	California
Gap International Sourcing (Vietnam) Limited Liability Company	Vietnam
Gap International Sourcing Limited	Hong Kong
Gap International Sourcing Pte. Ltd.	Singapore
Gap International Sourcing, Inc.	California
Gap IT Services India Private Limited	India
Gap Limited	Hong Kong
Gap Stores (Ireland) Limited	Dublin, Ireland
Gap Supply Chain Management (Shanghai) Co., Ltd	Shanghai, China
Gap Taiwan Limited	Taipei, Taiwan
GPS (Great Britain) Limited	England and Wales
GPS Coalition Limited	England and Wales
GPS Consumer Direct, Inc.	California

GPS Corporate Facilities, Inc.	California
GPS Import Services, S. de R.L. de C.V.	Mexico
GPS Real Estate, Inc.	California
GPS Services, Inc.	California
GPS Strategic Alliances LLC	Delaware
GPSDC (New York) Inc.	Delaware
Intermix Canada Inc.	New Brunswick
MB 550 TFB, LLC	Delaware
Old Navy (Apparel), LLC	California
Old Navy (Canada) Inc.	Canada
Old Navy (ITM) Inc.	California
Old Navy (Japan) Y.K.	Tokyo, Japan
Old Navy International Sourcing, Inc.	California
Old Navy, LLC	Delaware
ON Stores Mexico, S. de R.L. de C.V.	Mexico
Piperlime (Japan) G.K.	Tokyo, Japan
WCB Twenty-Eight Limited Partnership	Delaware

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-36265, 333-68285, 333-90414, 333-129986, 333-136295, 333-151560, 333-189232, 333-192723, 333-200806, 333-218500, 333-231914, 333-230390, and 333-256594 on Form S-8 of our report dated March 14, 2023, relating to the financial statements of The Gap, Inc. (the “Company”) and the effectiveness of the Company's internal control over financial reporting appearing in this Annual Report on Form 10-K for the fiscal year ended January 28, 2023.

/s/ Deloitte & Touche LLP

San Francisco, California
March 14, 2023

CERTIFICATIONS

I, Bob L. Martin, certify that:

1. I have reviewed this annual report on Form 10-K of The Gap, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 14, 2023

/s/ Bob L. Martin

Bob L. Martin

Interim Chief Executive Officer

(Principal Executive Officer)

CERTIFICATIONS

I, Katrina O'Connell, certify that:

1. I have reviewed this annual report on Form 10-K of The Gap, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 14, 2023

/s/ Katrina O'Connell

Katrina O'Connell

Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Certification of the Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of The Gap, Inc. (the “Company”) on Form 10-K for the period ended January 28, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Bob L. Martin, Interim Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Bob L. Martin

Bob L. Martin

Interim Chief Executive Officer

March 14, 2023

Certification of the Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of The Gap, Inc. (the “Company”) on Form 10-K for the period ended January 28, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Katrina O'Connell, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Katrina O'Connell

Katrina O'Connell

Executive Vice President and Chief Financial Officer

March 14, 2023